THE RAILWAYS AND THE PEOPLE

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PREFACE

This book is intended, primarily, as a discussion of the railroad problem, but there are other auxillary questions which, in a measure, are dependent upon a proper solution of the transportation problem for their settlement. This is especially true of the farmers and producers difficulties in finding a market for their output. The consumers are interested in any solution of the transportation question which brings to them adequate supplies at prices within their purchasing power. Labor regains a feeling of ease and contentment when it realizes that the wage has been doubled by laying down the family needs and comforts at half former prices. These are some of the big problems that are affected by railroad legislation.

This treatise is along entirely new lines of thought and present the whole subject in a new light. It is not expected that every reader will agree with the author in his conclusions, but it is confidently expected that every reader will get some ideas on the policies discussed which will enable him to form a more intelligent ,opinion when called upon to pass judgment on the transportation question. Every person in the United

States is vitally interested in this discussion, in so far as it will lead to a lowering of freight charges and thereby largely decrease the burden of high prices for the necessities and comforts of life; and also in so far as it will supply those necessities and comforts in adequate quantities.

This is not a technical presentation of the issues involved in the proper solution of the railroad problem, and the questions which cluster around it; but it is rather a popular treatise intended for general reading, and so presented that any one who can read it will understand its meaning.

THE AUTHOR.

CHAPTER I

SUPPOSING

A news item from Orlando, Florida, under date of December 24, 1920, contains the following information regarding the orange market: "The fact that the markets are dead, at least for the present, cannot be glossed over. Packers and buyers have lost a hogshead of gold dollars and all within the last six weeks. The worst is that there is no relief in immediate sight. It is idle to talk of who or what agency is to blame. We've got to face the music and it has got to be faced on a lower level of values and a saner attitude toward volume of shipments and buying power in Northern consuming centers." At the date mentioned oranges were selling on the trees at $1.00 a case. This then is the amount that the growers were getting for their fruit. This $1.00 per case was their full compensation for the necessary fertilizers and labor for growing oranges.

A case of oranges means approximately 200. It depends on the size of the fruit—cases containing small fruit will run more to case while cases containing very large fruits will fall very much below that count. But all cases will contain approximately the same amount in weight.

Taking 200 as the average number of oranges to the case, and $1.00 as the compensation paid the growers, gives them six cents per dozen, or half a cent per orange for their crop of fruit.

Let's change this and allow them one cent per orange, two dollars per case as compensation for their crop delivered on the cars. This two dollars per case would make the growers good money, and at that price—a penny an orange—it would seem that every table in the country would have an abundance of this luscious fruit.

The United States produces, annually, about 21,000,000 boxes or cases, of oranges. The census places the population of the United States at a little more than 105,000,000. This gives every individual in the country one-fifth of a box of oranges every year, and there is not a well child in the United States who cannot take his one-fifth of a box of oranges and completely clean them up within five days and feel better for having eaten them. Oranges are one of the healthiest fruit on the markets and a food that children should have an abundance of. If every person could have at least two oranges daily it would materially improve the health of the American people, if along with the oranges there was the other necessary food. I fancy there will be no controverting the statement that two oranges daily added to American diet would materially improve the health and prolong the life of the people.

Two oranges daily would mean an aggregate consumption of 210,000,000 oranges by all the people. This reduced to boxes, or cases, means a daily consumption of 1,050,000 cases. On this basis the present orange production of the country would last only twenty days. The present annual orange production measured in carloads, calculating 24,000 pounds to the car, is right at 70,000 cars. And this production if properly distributed among the people at a price which they could afford to pay, would all be consumed in twenty days if each person ate only two oranges daily.

If oranges were sold at such a price, and so distributed, as to enable every person to use two daily, there would be a market for 105,000 carloads per month, 1,260,000 cars per year; and American health and happiness would be greatly increased by this regular addition to the daily diet.

The social workers will say, yes, it will improve the happiness of the people to have the increased fruit diet; the health board will rejoice in the anticipated improvement which would follow the change; but the mercenary individuals will want to know what pecuniary profits would result from the change. Since money should have its place in the consideration of economic and industrial questions, this is a proper question to propound. The present production of oranges

is about 70,000 carloads or 21,000,000 boxes, or cases: Under the proposed plan it would require 1,260,000 carloads, or 378,000,000 boxes to supply the theoretical demand. This would mean an increase for the annual crop from $42,000,000 on the present basis of production, to $756,000,000 on the suggested increase in consumption. This means an increase in the income from this one crop, if properly distributed, of $714,000,000, and the increase has been followed by an increase in the happiness and health of the population. This large increase could be very easily effected without taxing the capacity of the orange growing districts of the United States, and the change would add billions of dollars of actual wealth to the taxing assets of the nation.

FRUITS AND VEGETABLES

The commercial apple crop averages about 75,000,000 bushels annually and the growers have difficulty in finding a market for them at 25 and 50 cents net per bushel. These same apples are selling in the consuming centers at 15 to 60 cents per dozen, thereby costing anywhere from $3.00 to $6.00 per bushel, and the market is overstocked and millions of bushels rot for want of buyers at that price. The 90,000,000 of the population who are denied the right to bid on these apples, because of the prohibitive prices, cannot help the producers market their crops. The crop must find a market among those who can afford to pay

the middlemen five to ten times the growers net selling price. This restricts the market for apples to approximately 15 per cent of the population and none but the very best fruit will find a ready market at anything above the producers selling price. This leaves fully half of the apple crop to rot in the orchards when there are 90,000,000 children and adults who would willingly pay the growers an adequate price for them if they had any way of getting them delivered without increasing the price many fold.

The commercial apple crop of 75,000,000 bushels would not be sufficient to supply the demand for thirty days if there existed an adequate system of distribution. It is equal to only six gallons per person, and there are many individuals who could eat their six gallons within six days; and this is called an over-supply of apples. Half of the peach crop rots because the growers under the present system cannot get 40,000,000 bushels distributed among 105,000,000 people. This is equal to three and a half gallons for each person in the country, and if properly distributed would not meet the demands for ten days. It is doubtful if there are enough peaches go on the market any day to supply every person with one peach for the day.

A production of three quarts of pears per person finds a slow sale and glutted market. The cabbage crop averages around 600,000 tons annually. Cabbage which the growers sold for $8.00

to $10.00 per ton are retailing in the consuming centers at 3 to 6 cents per pound—$60.00 to $120.00 per ton—and millions of pounds rot because the system cannot find a market for them at that price. I have known thousands of carloads of cabbage to rot in the fields because the growers could get nothing out of them when shipped to the consuming centers where they were retailing at 4 and 5 cents per pound. The expenses between the producers and consumers absorbed the entire selling price when placed on the market. The cabbage crop of the country averages approximately 12 pounds per capita, which is equivalent to one twelve-pound head for each person, and this is called an over-supply and the market refuses to accept this meager supply at the prices which the system demands for them. This meager supply and under-consumption applies to all farm and manufactured commodities. On some the restrictions on the markets are more, and some they are less, but they are sufficiently manifest on all products of farm and factory to restrict productions and withhold from the 90,000,000 population of moderate, or small means, an adequate supply. This results from two causes; an inadequate distributive system, and a selling system that runs the selling price above the purchasing power of the people. These conditions can only be remedied by establishing a selling system that will distribute the productions among the people instead of congesting them in

the consuming centers, and further provide a selling system capable of handling the productions at a minimum cost.

SOME OBSTACLES

There are three obstacles in the way of the successful operation of the suggested distribution above outlined. The first of these is the absence of any system that will distribute supplies to the people under such conditions as to enable the consumers to utilize the supplies so distributed. It will be noticed in the quotation at the head of this chapter is the statement that "we've got to face the music, and it has got to be faced on a lower level of values, and with a saner attitude toward volume of shipments and buying power in the Northern consuming centers."

"The Northern consuming centers" are the large cities to which car lot shipments can be made, and where great wealth abounds which can afford to buy oranges at a price that will pay the speculators a handsome price above that paid to the growers.

And oranges in the "Northern consuming centers" go to the consumers at 2 to 10 cents each. In the small out-towns the selling price is even higher than that in the consuming centers. The result is that oranges are distributed within the vicinity of half of the country's population, and in the centers where they are distributed the price places them above the purchasing power of

more than 75% of the consumers. This confines the market for oranges to a very small per cent of the American people. It is probably safe to say that fully 90 per cent of the population is cut off from the use of oranges under the present arrangement.

People cannot sell their products at one price and buy others at a greatly increased price and make a success of life and get from it the pleasure which is justly theirs. Farmers cannot sell corn at 50 cents a bushel, wheat at $1.50, meat at 10 cents a pound and buy those items as food and feed at double and treble the prices received, and sustain themselves and families in comfort and plenty. Neither can they turn their products loose at the cost of production, and buy other products which they do not produce and pay for them two or three times what they cost the producers.

The consumer can successfully buy only such things as carry a cost equivalent to the income which he receives for his own labor, or productions. If he sells his labor at the rate of three dollars per day he cannot afford to buy commodities which carry a wage of three or four times that, or profits which equals three or four times the original wage, or productive cost. Persons whose incomes are small can consume a maximum quantity, only of such things as are produced by persons of similar incomes without any profits attaching above the cost of production. Thus the

farmer who buys his requirements from another farmer can consume more largely than if he buys commodities after they have been increased in price three or four times above the productive cost. Consumers whose incomes are small must confine their purchases to articles in which the labor cost does not exceed the labor cost of the articles which they sell. If labor which receives an income of $500 annually confines its purchases to such commodities as carry a similar wage, its consumption can be large; but if it buys a commodity after it has passed through the hands of persons who receive $2,500 to $10,000 per year, and probably through several such hands, the income will not cover enough of such commodities to properly maintain the health of the family. So the purchases of individuals of small means must be confined to purchases of commodities of a low wage value, or buy a deficiency of high-priced articles and thereby stunt and under-nourish the ones dependent upon purchases from such incomes for sustenance.

This basic principal is lost sight of in all legislation, and there is no effort made to adjust distribution and prices to meet the needs of the ones of small incomes. This necessarily leads to weakened mentality and under-nourished citizens which makes such amendable to crime and depravity. To force this condition upon the citizenry of the country is criminal if it can be prevented.

According to the government income tax re-

turns there are about 15,000,000 people in this country who are living on incomes in excess of $1,000 annually. This leaves 90,000,000 of the citizens who are living on incomes of less than $1,000 annually. The incomes of this 90,000,000 range from $1,000 down to nothing and will no doubt average much below $500 each. There are many laborers who do not receive an annual income of that amount, and the farmers who embrace more than 35,000,000 of the population do not get incomes averaging near $500 yearly. So we have 90,000,000 of the population who are living on incomes of not to exceed $500 each, but for the sake of being liberal I will accept the $500 as the average income upon which 90,000,000 people must subsist.

This does not mean that each person gets that amount, but it means that each person employed at some gainful occupation, and in the case of the farmers it means the family units. In order to get a maximum consumption of any commodities they must sell at a price corresponding to the incomes of the 90,000,000 people whose incomes are around $500 each. These people consume to the extent of their incomes; not to the extent of their needs. They must not buy commodities which have passed through the hands of several high-salaried middle men who increase the prices of the articles handled until they are beyond the reach of the 90,000,000 to buy in adequate quantities. The result is an under-fed citizenry which

stamps 65 per cent of the inhabitants as defectives. To open up an orange market among the 90,000,000 to whom it is now closed would increase the market demand from 70,000 cars to 1,260,000 cars annually. This same increase would apply to most other crops of fruit and vegetables as well as other lines of farm products and even merchandise of all kinds. The same disparity in prices between producers and consumers is noticeable in potatoes, sweet potatoes, onions, and all other fruits and vegetables. The same complaint may be raised as to the whole list of foods-markets overstocked and 90,000,000 hungry and underfed. These foods are not distributed so as to find a market among the people, nor to supply the actual needs of the country. They are shipped to the consuming centers which are willing to pay the speculators a large profit for getting the shipments of the necessities of life and giving these consuming centers a monopoly on the very best the country can afford. The farmer is not allowed to ship to any other than the consuming centers because the smaller places cannot use carload shipments and the freight would eat up the price if shipped in less than car lots. So to the consuming centers practically all shipments must be made. The shipment reaches there at a high price incident to the great number of high salaried middle-men through whose hands the shipment must pass in going to the consuming centers. *All who* can afford to buy at the high price

are soon supplied and the market is said to be over-stocked, and much of the shipment not selling at the established price spoils and the farmer gets nothing for his productions. Then when the farmer wants to buy some productions from other sections, and such as he cannot produce, he can not generally get them because he does not live in a consuming center. The products of the country are not distributed so as to accommodate the farmer or grower, either as producers or as consumers. His products are not distributed so as to find a market for his output, nor are other productions distributed so as to accommodate him. Under the present railway systems the organization is compelling all shipments to go to the consuming centers, entirely disregarding the farmers as a consuming class. In reality the present arrangement is not so much a distributing system as it is a congesting system.

The great expenses attaching to handling most commodities precludes the people of small means from buying. The price of the commodities after the expense bills are added can only be bought by the wealthy few in large quantities, or by the people of small means in small quantities. This restricts the sale and market to a very small per cent of the population even in the consuming centers where the shipments are made. And even there many of the fruits and vegetables which are real necessities, and are found common on the tables of the wealthy, are rarely if ever placed on

the tables of the masses of the urban population.

People generally have very little regard for others' pleasures, or even needs. If anything is for sale people who can afford, it will buy to the extent of their requirements regardelss of the effects of their buying on others. So the wealthy residents in the consuming centers by paying, for the good things, a price which is above the amount which poorer people could pay, withdraw the rare and good things of life from the people of small means in the cities and from all residents in the country. Such persons do not realize that when they are buying the necessities of life and paying more for them than people of ordinary means can afford, they are withholding from them such necessities as effectively as if they were to deny them the right to buy at any price. For when the price exceeds their ability to buy they are denied a participation in the enjoyments which comes through the possession of the article which is beyond their purchasing power.

Capitalists and speculators are interested to the extent of the profits made, in taking from the people of moderate means those things which find in the consuming centers people of wealth who are willing to bid the prices up to a level beyond the ability of the mass of people to pay. This gives to the wealthy class to the extent of their requirements and to the same extent takes from the people of lesser means. This is the market that the speculators and middle-men cultivate and

build up, for it is only to the extent that they can take the products from the producers and pass them to customers who can afford to pay a much higher price that they can make a profit on the transaction. If a commodity passes direct from the producer to the consumers there is no profit on capital except the necessary capital invested in the production of the commodities. Speculative capital has no place in such arrangements, nor does the middle-men of any kind have any opportunity to inflate the price by the addition of their salaries, commissions and profits.

The 90,000,000 people who are living on incomes averaging $500 cannot afford to buy largely of speculative commodities, that is, commodities which have passed through the hands of high-priced salesmen. This forces these high salaried men to look to the large consuming centers for customers for the products which they get from producers and find a market that will pay a price in excess of the cost of production. The profits made between the producers and the consumers must cover all salaries and profits of the speculators and all speculative capital which is utilized in handling the products between the producers and consumers. It is obvious that the more of the national productions that the speculators can get from the producers, and the higher they can inflate the price above the purchasing power of the people, the more financial benefits accrue to this class of the population and the harder

pressed the people are for the bare necessities of life, due to the high price which the speculators have established. The further the products can be taken from the people—in the matter of high prices—the greater returns of capital on the amount invested in the speculative features of marketing the products. This induces capital to assist the speculative trade in withdrawing the products from the reach of the American consumers and places the price so high that a very small per cent of the population can afford to buy in quantities commensurate with their needs; and the great mass of people can buy only in very limited quantities, and not nearly up to actual requirements.

To facilitate this withdrawal from the people and thereby increase the speculative profits and incomes the capitalists are planning a financing corporation to find markets in foreign countries for the "surplus" of American productions. The matter of developing and increasing the American market does not appeal to the financiers. If the home market is developed to its maximum capacity it will be done at the behest of the consumers and the productive capital and in opposition to the speculative capital and middlemen.

The United States Congress, with the very best intentions, is back of the movement to withdraw from the home market large quantities of American productions and send them to foreign markets to supply the needs of a foreign popula-

tion, and this at a time when our own people are in dire need of those very commodities which the lawmakers are facilitating the export of. The exports of American beef aggregate approximately 600,000,000 pounds annually. The exports of pork is right at 1,800,000,000 pounds annually, and this in the face of the established fact that 65 per cent of the population of this country is under-nourished and defectives. To turn that gigantic export to this vacuity has never occurred to the law-makers, instead they are interested in increasing this vacuity at home to fill the one abroad. The more exports increase, and the larger the foreign market, the greater profits and incomes of the business and speculative interests of the country. The American people, as consumers, get very little consideration at the hands of the law-making powers. This is not a willful disregard of the consumers' welfare, but is a careless oversight and woeful lack of information on the subject. All information which they get is filtered through the business and speculative sieves, and there is very little pressure in behalf of the consumers.

If the law-makers would think on the subject at all they would know that millions of Americans are living on a diet sadly deficient in meats and that their health and morals are as sadly deteriorating as the result. No underfed people can compare in morals, physique and intelligence with a nation who are properly nourished.

This lack of proper diet is not only made mani-

fest by the government investigation during the war when the physical condition of the people underwent a careful scrutiny, but it is shown in comparison with the consumption of people in other meat producing countries.

In Australia the consumption of meat is 262 pounds per capita, in Argentina 250, in New Zealand 212, in the United States 170 This shows a shortage in meat consumption in the United States of 92 pounds per capita, as compared with Australia, giving an aggregate shortage for the entire country of 9,660,000,000 pounds. If all of the exported meats had been turned to supply this home demand there would still have existed a shortage of more than 7,000,000,000 pounds. This indicates a shortage of 70 pounds per capita, equaling nearly half the present consumption.

It will not be contended that there was not a demand at home for all of this exported meats. There was not a market for it at the price which the speculative interest wanted, but there was a demand for it, and more too, at the price which the farmers received. If the distributing system were equal to the demands of the consuming public and could distribute supplies at something near the productive cost, the meat supply would find a ready market among the home consumers and at a price above that now received by the producers.

Consumption depends on three elements: the amount of incomes received by the consumers; the price at which the commodities are sold, and the

accessibility of the supplies to the consumers. It is therefore, evident that in order to reach a maximum consumption income, price and distribution must all coordinate.

The policy of developing the foreign markets is commendable in so far as it finds a market for American productions, but in so far as it curtails American consumption below the limits of "health and decency" it is a positive injury. If the producers and consumers of the United States would establish a direct line of communication and cut out all middlemen and intervening capitalists the consumption of the country would be increased many fold. As in the case of the oranges many things would find an increased market approximating 1,500 per cent. In some items this increase would not be so marked, but the average consumption would experience an increase of fully 1,000 per cent, which means an increase of tenfold the present production. This would create a demand for several times the present productive capital and give the present speculative capital a ready investment in enterprises really beneficial.

But speculative capital and the middlemen are firmly established in the present business organization and they will strenuously oppose any legislation, or regulation, that leaves them off the line of communication between the producers and consumers. The producers and consumers, if they would form a close compact whereby they could

deal directly with each other, must secure the necessary legislation permitting them to transact business without calling to their assistance a large number of high salaried speculators and middlemen. Such legislation would receive the active support of the producers and the support of all people to the extent of their interest as consumers. It would receive the opposition of the so-called business element. Any plan proposing to establish a system enabling the producers to sell and ship direct to the consumers would be condemned without mercy by the whole speculative interest, including the national and state lawmakers. The politicians will not stint epithets in their abuse of the middle-men when they are delivering panegyrical speeches to the electorate as producers and consumers, but when any bill is introduced which tends to remedy the evils admitted to exist these same politicians will just as vehemently denounce the bill as radical innovations and as dangerous to the peace and safety of the "business element." If a condition is denounced as an outrage against the producers and consumers that is supposed to meet all of the requirements of these people against whom this alleged outrage is operating. The business element understands this condition in American politics and even applauds the derogatory utterances against the business system. This element ,though, expects the politicians to exhaust their opposition to the system while making their publc deliverances.

when they enter the halls of legislation their deliverances must take a different trend. The politician must be Jekyl and Mr. Hyde. To the public he is bitterly against the established system; in his official capacity he is just as bitterly against any legislation which attempts a modification of the alleged outrageous arrangement.

Suppose the producers sell direct to the consumers, is there anything wrong in so doing? Have the producers committed any crime? Do they not have a right to find a market for their products? And if the business element cannot find a market for the country's products, is it not time the producers were finding it? It must be admitted that the middle-men are not finding a remunerative market for the commodities which labor is producing. After commodities are released to the business element the prices are so increased that the market becomes restricted so that there is no possibility of moving American productions in adequate quantities to keep the sources of supply active. The producing centers become congested and lethargic. Production is curtailed, not because there is no demand for the output, but because the producers can not reach the consumers who want to buy. The wall between the producers and consumers is an impenetrable one. On one side are billions of dollars' worth of products going to waste, or withheld from the consumers in warehouses, while on the other side are nearly 100,000,000 people who are suffering because of

their inability to get the thing going to waste on the side of the producers. On one side prices are so low they pauperize the producers; on the other side they are so high they are pauperizing the consumers. To remove this wall and connect the producers and consumers on common level will be the greatest piece of legislation ever enacted. It will increase production several fold and give a ready market at remunerative prices for the increased production. This will remove the plethora of production and poverty on one side, and the specter of want, hunger and poverty on the other. Can the wall be removed and permit the producers and consumers to come together for their mutual benefit? If this advantageous arrangement can be adopted is there any but the most abandoned mercenaries who could oppose it?

Are there any with hearts so cold
They can sacrifice humanity for a trifle of gold?
Any, glorying in their brothers' fate,
Cast to the dollar their love, to Christ their hate?
For the suffering they extend to men
Christ admonishes them they extend even unto him.

CHAPTER II
CONFLICTING INTERESTS

Briefly stated, there exist, at the present time, the following conditions: The production of the United States is grossly inadequate for the actual demands of the consuming public, but this under-production is greatly in excess of the distributing facilities of the country, and, therefore, a very large per cent of this inadequate supply rots, or is otherwise wasted, because it cannot, under the present system, be distributed to the would-be consumers at a price which they can afford to pay; that there are millions of people in dire need of these products and are willing and able to pay for them a price that will net the producers a handsome profit, but they are denied this right unless they will pay a price that will net a large income to the business fabric which has been built up between them and the producers; and not being able to buy at this greatly enhanced price the commodities are permitted to go to waste, or are withheld from the market except in such quantities as will supply the very wealthy who can afford to buy at the prices fixed by the business fabric. So with a production grossly inadequate for actual needs there exists an under-

consumption so manfest as to paralyze the market and leave this minimized output in the hands of the producers to rot, or in the hands of the speculators to hold until the market clears up and will take them at the speculative prices.

:The producers interests are promoted by a wide market at the producers' selling price, while the business interests are promoted by restricting the market to those who are able to buy at a price considerably above the seller's price, and who are wlling to pay this advanced price. It would not interest the business element to find markets for commodities at the producer's price. Their interest, therefore, lies in killing the market and restricting it to a small supply at high prices, rather than find a market for the entire natonal output at a price that will afford a maximum consumption with a maximum return to the growers, or producers. The interests of the whole population, as consumers, accords with the producers in a wide distribution at the minimum, or productive price. In this arrangement the producers are interested both as producers and consumers. If they can find a market for a maximum production at an advanced price above what they are now getting, and can in turn purchase their requirements at prices corresponding to the selling price of their own productions, they thereby get a double benefit from the system. This may be designated as a maximum price on sales and a minimum price on purchases.

The railway systems are interested on the side of speculators and business element. It is this business fabric that enables the railroads to make their profits. If the railroad business were confined to hauls from the producers to the consumers, on the basis of a single haul, the present freight rates based, on present production, would not pay the rail systems 50 per cent of their actual operating expenses. The total annual production of the United States is probably about $20,000,000,000 and at most does not exceed $25,000,000,000. On a $20,000,000,000 valuation it would require a 35 per cent advalorem freight rate to raise the present demands of $7,000,000,000 which the railway system claim is absolutely necessary for the successful operation of the roads and provide the ordinary divdends for the stockholders. This classification aligns the railroads on the side of the speculators and business element, and against the interest of the producers and consumers. They have a common interest with the speculators in maintaining a wide margin between the producers and consumers, while the producers and consumers interests are promoted by reducing this margin to a minimum.

THE OBJECT OF RAILROAD LEGISLATION

From this brief statement there appears to be several divergent interests to either placate or eliminate from the controversy. When it comes to a question of exterminating a part, and no

small part either, of American enterprises, it becomes a painful question. When it comes to a question of continuing the existing policies whereby the greater part of the population are penurized the question is still more serious. And since the present established policies cannot be maintained without this pauperizing effect upon the people generally, nor be abolished without exterminating a very large part of the existing business structure, the question to determine is which road will lead to the greatest prosperity and produce the least injury and pain.

Before there can be any intelligent legislation regulating railroad freights the government must decide what is the object to be attained. There must be a definite policy adopted that leads to some definite results. Until a concrete policy is adopted and adhered to legislation will be unsatsfactory and the roads and industry will remain in confusion and chaos. The act of legislation must be concentrated with a view to the accomplishment of some specific purpose and the bestowal of some specific benefits. Legislation that aims to bestow upon the railroads the greatest amount of net incomes extend to the speculative interest all desired transportation facilities, and to the producers a limited service at greatly increased cost, and to the consumers the supplies regardless of transportation expenses, is not such legislation as will satisfy any division of the interest which are demanding favorable consideration.

The multiplicity of divergent interests in this question may be summarized as follows: First, the railroad companies demand the right to collect from the public in the way of charges sufficient money to reimburse them for their outlay in expenses and a reasonable profit, or dividend, on the capital invested. And, second, a subsidiary to this first demand is that of the several millions of stockholders who have invested in railroad securities. Third, the producers are demanding transportation for their productions, and at rates that will enable them to find a market that will net them a profit on the commodities shipped. Fourth, the speculators are insisting on their rights to use the railroads to their maximum requirements, and this regardless of the cost, since they can tax the freight bills to the commodities and pass them on to the consumers for payment; and, fifth, the consumers are demanding a transportation system that will deliver their supplies in adequate quantities and at a minimum cost for transportation.

No legislation can be enacted to meet all of these demands. If the demands of the public be granted and the roads are compelled to carry freight at a price that does not net the stockholders adequate dividend and thereby permits the rail securities to greatly shrink in value, there will follow a condemnation of the government by this railroad interest and the stockholders. They claim to have an inherent right to a continued ex-

istence and are therefore entitled to take from the public sufficient compensation to guarantee that existence. In this contention they have the support of the business structure and the speculators, but the producers and consumers challenge the right of the roads to further levies upon them and thereby deplete their coffers in order to satiate the officers and security holders of the roads. This conflict between these two interests is not capable of adjustment on any basis that will satisfy either party to the controversy, and any legislation enacted will have the active opposition of one or both of these elements.

This irreconsilable condition is not the outgrowth of any animosity or hatred of one toward the other; it is a matter of self preservation. The business fabric has been permitted to grow to such dimensions that the producers and consumers cannot support it, and they are demanding a relief, which, if granted, scraps a very large part of American business and industry. This great industrial and business organization which has been permitted to fasten itself upon the country is insisting upon its perpetuity, and since the government permitted, and even encouraged its growth, it avers that it has the right for the purpose of preserving its own existence, to continue to feed upon the producers and consumers even to the extent of their destruction, since the point seems to be reached where there can be no compromise effected which will permit both factions

to prosper. This is not a fight of antagonism of one against the other, but it is a struggle of each for existence and disregards the rights and welfare of the other. Two friends may be in mid-ocean with conveyance available for only one. It is not a question of enmity between them as to which one gets the conveyance to the shore: it is purely a question of self preservation, and the one who is saved may regret extremely the loss of his companion. That is the attitude of the producers and consumers on one side and the middlemen on the other. One or the other must be retired to a losing position if not to extermination.

It is not, therefore, the amount of the annual production of the country that marks prosperity of the railroads, but rather the number of times they may haul that production. Their interest lies more in the speculative hauls than in the original haul from the original producers to the market. After the commodities reach the market it is the railroads' interest to keep them moving as fast and as often as possible. This is practical business. The products on the farm are brought in only to fill any vacuity that arises from the failure of the commodities on the market to keep all railroads' facilities working at the maximum and as that vacuity arises it is filled by bringing more farm products on the market. The first consideration among the roads is necessarily to accommodate the second, third, fourth, fifth, sixth and seventh shipments of the commodities. The

first shipment is generally available and can generally be had when needed to supply the speculative trade. In the hands of the producers the freight is still an asset for the roads, but if a speculator fails to get the necessary cars to reship freight and thereby loses a sale, a shipment and profit equal to the original shipment is probably lost to the railroad company.

Another incentive for favoring the speculators in preference to the small producers and farmers is the fact that they are frequently large concerns transacting an immense business and consequently using a large number of cars. Such men, and such concerns, can get cars more readily than càn a farmer or small concern, who want sprobably not more than one or two cars yearly. This places the producers at a disadvantage and many of them suffer financial bankruptcy because of the inability to get cars necessary to market their products at the proper time.

These two interests are antagonistic and no adjustment can be made that will satisfy the producers and the speculators and give the railroads their necessary dividends to distribute among the stockholders. The question again arises as to which interest the government will give first consideration as between the producers and the consumers on one side and the speculators on the other. If the interest of the speculators is conserved and encouraged it means an increased cost of the commodities to the consumers and thus the

enmity and opposition of the great American public will perforce be incurred. The producers will also continue to complain of the failure to get the necessary cars to move their crops and other productions. The speculators and the railroads, under such an adjustment, will be the satisfied elements. Would such an arrangement afford a stable business or a stable government?

THREE LEGISLATIVE ANGLES OPEN

There are three angles legislation may take in dealing with railroads and freight. Either one of these will please some of the people and receive the opposition of some others.

The railroads may be operated so as to produce the necessary revenue to satisfy the railroad owners regardless of the cost to the public and the effect such regulation would have upon the business of the country. This policy would have the hearty support of the stockholders and bondholders of the railroads and would alienate the support of the producers and consumers. This antipathy of the producers and consumers toward the government would continue as long as that governmental policy continued to be enforced against them, and there would be no chance to ever overcome that dissatisfaction, expressed or latent. Under this plan the rights of the railroad officials and owners are considered to the exclusion of the rights of the public as consumers. This system must encourage the speculators by

extending to them the railroad system for their operation, for without the speculative business private ownership would collapse because of insufficient revenues to meet current expenses. Private ownership and speculation are inseparable and even the railroad owners would not want to operate the roads if they had to depend upon the legitimate business of the country with all speculation eliminated. There would be no dividends to distribute and there would be a scramble to unload the railroads on the government and get from under a losing enterprise.

The second angle open for railroad legislation is for the government to take over the entire system and operate it for the benefit of the producers and consumers, disregarding the demands of the railroad owners except to the extent of compensating them for the value of the property taken. Under this policy the government would operate the roads so as to deliver the nations productions from the producers to the consumers at freight rates just sufficient to reimburse the government for the actual cost of operating the system. This arrangement would also guarantee the producers sufficient cars to properly handle their output, or production, and to the exclusion of the speculators. The consumers' welfare would be of equal importance with the producers and transportation would be practically direct from the producers to the consumers, thereby eliminating several hauls and as many or more commissions and prof-

its. This would necessarily increase production and pass that production to the consumers at greatly decreased prices, thereby increasing the consumption, happiness and comforts of the people.

The third method of legislating for the railroads, and the one that will probably ultimately be adopted, is for the government to own and operate the roads for the benefit of the public exclusively, disregarding in such legislation all interest not harmonizing with the public welfare. This eliminates from consideration the demands of the railroad owners. They are given their money, or property, invested in the railways' stocks and bonds, and they have no further financial interest in the railway manipulation. They can invest their money in some other enterprise that will probably net them larger incomes and at the same time relieve them and the public of an annoying controversy. This third plan would remove all freight charges and make the railways public highways for the purpose of carrying commodities and merchandise from the producers to the consumers. The expenses of operating the system would be met by the United States government, just like all government enterprises are met. The employees of the roads would be government employees. This system places all parts of the United States, and every enterprise in the United States, on an equal level. The cost to the consumers would be the price paid the producers with a

commission or profit to the individual or concern who handled the commodities between the producers and the consumers, and the profits of such parties would be limited by law and usurious charge would be punishable.

This system opens up the way for a settlement of many of the industrial questions that are now confronting the American people and which it seems can be settled in no other way.

Before taking up this theory of the question I will present the reasons offered for continuing the present system of individual ownership and operation of the railroads, under several hundred of heads and organizations, instead of under one head with all roads unified into one great system. This is not a question to be passed in a passionate manner, nor with a feeling of anything but a desire to promote the happiness and well being of the American people, and increase the prosperity and wealth of the nation as a whole.

CHAPTER III

THREE GROUPS

The American people may be divided into three groups, namely, producers, consumers and middle men. The group with which their interests predominate determines their classification. The whole people are interested as consumers. Any regulation beneficial to the consumers is applicable to all, and can be withheld from none. Consumption is universal among the popultaion and wholesome regulations which induce a higher standard of living, and places the necessities and comforts of life more largely within the incomes of the people extends benefits in which every individual may share. But if in extending this benefit to them as consumers their interest as producers, or middle-men, is so adversely affected that the net result to them represents a loss they will be classified as belonging to that group whose interests are adversely affected when legislating in the behalf of the people as consumers.

If a garden, a factory and an orchard can be placed by the side of every consumer so that those

products can be had at the producers' selling price, the present income of the consumers would cover five to ten times as many of such products as they do under the present arrangement. Conversely if every factory, orchard and farm had placed adjacent to it sufficient consumers to utilize the entire products, at the producers' selling price, it would require an output several times that of the present to meet the purchasing power of the people—1,000 per cent increase in production would probably be short of the actual requirements. This arrangement would work to the mutual benefit then of the producers in having a ready market for his products, and the consumer in having at all times a ready supply which his income will cover in sufficient quantities to meet his requirements. Two-thirds of the entire population are interested as producers and would receive the advantages which this proximity to the consumers would afford. This two-thirds are then transferred to the side of the consumers and are benefited again by being able to buy their requirements from the adjacent farm, orchard and factory at the producers' selling price.

This gives the producers a double favor—a market for his entire productions at a remunerative price, and an opportunity to buy his requirements at a price corresponding to the price at which he sells. Every individual, and unit of individuals, as consumers, gets the benefits resultng from an abundance of low priced commodities so

distributed as to be equally available to the whole population. In this arrangement the middle-men are almost entirely eliminated, and except as producers or consumers are the recipients of an adverse regulation whose injurious effects exceed the favorable advantages which it extends. This would apparently work a hardship on this class or group of citizens. But the hardship would not be great nor enduring. They take the advantages which the arrangement would extend to them as producers and consumers and adjust their business to the new regulations and find life worth a great deal more than it is under the present system of manipulation and scramble. There would be such a large increase in production and consumption that they would find openings for new alignments more pleasant and fully, if not more, remunerative.

SUPPLY AND DEMAND

In order to fully understand production and consumption it is necessary for the reader to eradicate from the mind the old shiboleth of "supply and demand regulating the market prices" of commodities. That old theory gained credence through sheer repetition, and has been accepted in recent times because of a lack of disposition to think below the surface. It is a superficial statement that has covered a multitude of evil laws and economic theories. Demand has very little to do with the establishment of prices. Prices are regu-

lated largely by the supply on one hand and the purchasing power of the would-be consumers on the other. Purchasing power and demand must not be confounded. One means the ability to purchase, while the other means desire to purchase. The demand for an article unless accompanied by the power to buy can not influence the selling price. There is a demand in this country for 40,000,000 automobiles, but they cannot satiate this demand because the would-be purchasers are short in purchasing power—they do not have the necessary funds with which to buy. The market for automobiles is very much below the demand. This comes from two combinations of causes. One is the price of the automobile. The manufacturer has been compelled to pay the middle-men such high prices for supplies and materials that the productive cost is great, and to this is added a further expense of a high freight rate over a long haul. The price of the car is still further increased by the commissions and profits of the dealers through whose hands it must pass under the present system. So when it reaches the would-be purchaser the price has gone above his purchasing power and there is no market. If all these unnecessary elements in the price of the automobile be eliminated and the car be offered at the lowest possible productive cost there would still probably be no market because the purchaser would not have the necessary funds to cover the cost. This inability now results not from the

price of the car, but rather from the fact that the customer has been charged exorbitant prices for the food, clothing, housing and medicine necessary to meet the family needs. If the non-essential, or speculative elements entering into the cost of the food, medicine and clothing be eliminated, those essentials can be purchased at a price which leave a sufficiency for the purchase of the car; and such elimination in the cost of constructing and selling the car on one hand, and the necessities of life on the other opens up a market for 40,000,000 cars.

There is a demand in the United States for 400,000,000 suits of clothes to protect the health of 105,000,000 people. A suit for fall, one for winter, one for spring, and one for summer. There is not only a demand for them, but they are badly needed as a matter of health and comfort. Yet there is a market for a very small per cent of that number, and for the same reasons that killed the market for automobiles.

There is a demand for 50,000,000 watermelons per week during the melon season, but the market is limited to a very small per cent of that number.

There is a demand in the United States every day in the year for two to five millions of bushels of tomatoes. One bushel represents 60 to 80 tomatoes. By basing the calculation on the larger number and giving every inhabitant three tomatoes daily would bring the consumption up to 300,000,000 or 3,750,000 bushels; by basing the calcu-

lation on the smaller number and giving every person three tomatoes would give a daily consumption of 5,000,000 bushels. This means that there is a demand in this country for something like 1,000,000,000 to 1,800,000,000 bushels annually, but 98 per cent of that demand is killed by the distributing system and about 2 per cent of that total demand is actually supplied. This means that the farmers' market is killed to the extent of 98 per cent of this theoretical demand, entailing a theoretical loss annually of a sum approaching $1,000,000,000. The group that is built up between the producers and the consumers, and known as the middle-men, is responsible for this suppression of the productive energies of the country. On the other hand, this middle group is responsible for the high retail price which confines the tomato market to a theoretcal 2 per cent of the people and places the selling price above the purchasing power of the other 98 per cent. This is very nicely explained in the following news item from Baltimore:

"Baltimore, Sept. 3.—The tomato deal this season has been very unsatisfactory to growers inasmuch as canners have been unable to take care of their contracts in many instances, which has resulted in a heavy volume of fresh tomatoes being offered on the local produce market with resultant low prices. They have sold in the wholesale market as low as 30 cents a bushel basket. Notwithstanding their low price in a wholesale

way, the consumer has not received the advantage of this condition and according to local daily newspapers, single tomatoes are selling to the consumer in some of the hotels as high as 50 cents each—more than the cost of a bushel."

In August, 1920, when there was a scarcity of apples over practically the entire country, and a ready demand at a reasonable price, and much above the market price in New York, the following dispatches are sent out from New York state:

"Rochester, N. Y., Aug. 27.—There is no activity in the apple market in Western New York. A few dealers are feeling out the trade by making tentative offers in the hope that they can start something as a sort of base from which to work, but beyond that there is practically nothing doing.

So far as the winter crop is concerned, this does not make much difference at this time. In the case of fall apples now ready to move, however, it is another story. There is a heavy crop of fall apples here. Within the last 12 or 13 years there has been a heavy planting of Duchess, Gravenstein, Alexander and other of the better fall sorts. These orchards have this year for the first time borne a fair crop. The net result is th heaviest crop of fall apples perhaps ever made in the district. There are well established cases here of growers who, unable to sell, hauled in top grade Duchess to the city markets, and, failing to make sales, hauled them back and fed them to the hogs.

It was not altogether a question of price either, 25 cents a bushel for the fruit would have taken some lots, but it was a case of not wanting them at any price. There has been a little business done on commission basis, but returns have been unsatisfactory."

New York, Aug. 27.—Late last week Commissioner of Markets O'Malley received the following telegram signed by Frank M. Bradley and Seth J. T. Bush, president and secretary respectively, of the New York Federation of Agriculture. It came from Morton, N. Y., which is in the Rochester-Lockport apple belt:

"Farmers of New York state have 400,000 carloads of apples to sell, the finest ever grown. Approximately 1,000 cars ready to ship now. The price offered the grower, only 1 cent a pound or $1.50 a barrel, will not pay picking expense. Do your people in New York want any of this fruit? Unless something can be done to increase the demand and thereby secure for the grower a market for his fruit at a price that will cover cost of production, there will probably be a couple of million bushels of fruit wasted in this state.

"A remedy must be found for a condition which gives the producer 1 cent and charges the consumer 25 cents. We also have pears, plums and peaches.

"Can your Department of Markets stimulate the demand for fruit by giving the people of New York city the facts?"

The above was printed in several of the daily papers. The "editorial comment" by some of the papers was wholly misleading, while others merely printed interviews from wholesalers and retailers.

The question in the wire as to what consumers are paying is out of line and perhaps is gleaned from some of the reports spread broadcast by unreliable dailies. All winter long large Northwestern eating apples have sold on the street stands at two for 15 cents and small ones for 5 cents each. Between the latter part of June and the latter part of August, when the nearby early fruit begins coming in, there is always a slump. Small apples are now selling on the stands at two for 5 cents and large ones 5 cents each and three for 10 cents."

Here were apples selling in Rochester for 25 cents a bushel and retailing in New York City for 2½ to 5 cents each. Five good apples selling in the city for as much as the producer got for one whole bushel. The retail price restricted the market to a very few of the city population and all that would not sell at the price fixed by the system, the farmers could feed to the hogs or let them rot in the orchard.

The Kansas State Board of Agriculture advises that in December, 1920, 77,000,000 bushels of wheat were held by the farmers of that state. Forty-three per cent of this wheat would have been marketed if the farmers could have secured

the necessary cars, before the slump in the price of wheat occurred. The price of wheat on the farm became so low that it would not pay the expenses of growing the crop. This same wheat was selling to the consumers in the form of flour at a price which would have paid a reasonable price for milling and still netted the growers a profit if they could have received something like the price the consumers were paying. But the system refused to handle the grain and flour without cutting out for themselves a slice of the selling price which left the farmers' price below the cost of production. And the producers must accept as their compensation what the system leaves after whittling down the prices paid by the consumers.

Senator Calder of New York states that coal reaching the Eastern markets passes through the hands of four or five middle men. And that the system mulched the American consumers of coal to the extent of $1,500,000,000 during 1920. He proposes to remedy the evil by placing a tax on these intervening dealers and thus eliminate them as factors in the ultimate price of coal. This may bring a measure of relief, but the probabilities are against the effectiveness of the measure. It will tax out some of the small dealers, but that will throw the business more into the hands of a few large dealers who will thus have a monopoly on the handling of coal, and the tax will give them an excuse for increasing the price.

These few concrete instances are sufficient to forcibly show the necessity for an adequate distributing system without an enormous expense bill attaching to the commodities as they pass along from the producers to the consumers, and thereby give the producers the benefits of substantially the ultimate selling price, and the consumers the benefits of the producers' selling price with only a reasonable intervening expense added. This will lift the producers out of the mire, and relieve the consumers of hunger and want and privations.

CHAPTER IV

PRIVATE OWNERSHIP AND OPERATION

The railroad officials deny responsibility for the disparity between the producers' selling price of commodities and the consumers' purchasing price. They present a formidable array of information for public consideration. This is entitled to proper weighing and investigation. They are entitled to have their side of the question presented and backed with all the logic and argument which the facts will support. And the public should give them that respectful hearing commensurate with the importance of the question involved, and the great amount of wealth invested. Any question that will not stand an open and frank discussion of its merits is not constructed on a sound foundation. The more a sound policy is discussed and understood the stronger it becomes engrafted on the body politic as one of the permanent factors of government.

Mr. Julius Kruttschmitt, president of the Southern Pacific Company, ably defends the railroads aaginst the charge of unduly increasing the cost of commodities between the producers and consumers. In an article prepared for the press

on this subject he states:

"To establish the influence of freight charges on the high level of commodity prices, in 1919, as compared with 1914, the Interstate Commerce Commission's methods of computing tonnage and revenue statistics and ours in establishing prices being the same in both periods will not affect the soundness of these conclusions:

	1919	1914
Average commodity value per ton "freight originated"	$119.00	$56.00
Freight charges per ton "originated"	2.80	2.00
Increase in commodity cost to the consumers per ton 1919 over 1914	63.00	
Increase in the freight charges per ton	.80	
Relative freight increase to cost increase	1.3%	

In other words, only 80 cents out of $63.00, or 1.3 cents of every dollar of increase in value of commodities in 1919 was caused by increased freight charges: the responsibility for the remaining $62.20 increase per ton must be sought elsewhere. It was not caused by freight charges."

INCREASED FREIGHT RATES.

The railroads were returned to private control March 1, 1920. The Esch-Cummins bill which authorized this return guaranteed the stockholders

against any loss for a period of six months. It guaranteed that all expenses that the management might, or would, make would be fully covered by the receipts from the business done by the roads, and failing to meet this guarantee the government would, through the taxpayers "dig up" any deficiency that might be necessary to save the stockholders and bondholders against loss through unavoidable causes, or even through negligence, or inefficiency.

In addition to this guarantee government was to pay the railroads a rental of $452,517,568 for the first six months under private control. A deficiency began to pile up against the government from the very first and at the end of six months under private control the railroads had sustained a loss, according to their books, of $182,134,790. This with the rental promised by the government amounting to $452,517,568 placed the government in debt to the railroads at the end of the first six months $634,652,350, or more than $100,000,000 per month.

:In addition to the provisions just stated the bill further promised the railroad owners a net profit of six per cent per annum on their investment for a period of two years. In order to save the taxpayers from having to "dig up" to meet this further promise it was proposed that the railroad charges for services be materially increased so as to cover this amount. Accordingly freight rates were increased from 25 to 40 per cent, pas-

senger rates were increased 25 per cent and the Pullman Company got a raise of 50 per cent, the total making an aggregate raise of something like $1,700,000,000 in the receipts OF THE TRANSPORTATION COMPANIES.

NO MATERIAL INCREASE IN COMMODITY PRICES

With this great addition to the incomes of the railroad corporation the officials present detailed statements showing how very little, if any, of it will be paid by the consumers of the commodities hauled. B. F. Bush, president of the Missouri Pacific Railroad, gave to the public a detailed statement of the results of his calculations on the effects of the increased freight rates on the selling prices of commodities hauled. He says: "The computations show that the rate increases will play so unimportant a part in the cost of goods as to be almost a negligible factor. While these figures apply to rates in the St. Louis section, they are comparable with schedules and advances in all other sections of the country.

"Beef, mutton, pork, ham and bacon from Kansas City to St. Louis are now carried at 23 cents per 100 pounds. The advances in these will be 8 cents per 100 pounds or eight-tenths of a mill per pound.

"Potatoes from Kansas—350 miles away from St. Louis—now take a rate of 24 cents per 100 pounds. This will be advanced 8.5 cents per 100

pounds or 85-100 of a mill per pound, the unit at which potatoes are now retailed. From Colorado—over 1,100 miles away—potatoes now take a rate of 50 cents per 100 pounds. This will be increased 17 cents or 2 mills per pound.

"The rate on flour from Minneapolis and Kansas mills—over 500 miles away—is 24.5 cents per 100 pounds. This will be increased 8.5 cents or approximately 2 cents for a 24-pound sack.

CANNED GOODS AND COFFEE

"Canned goods from Indianapolis from which large quantities are shipped, take a rate of 21.5 cents per 100. This rate will be increased 8.5 cents or less than 2 mills for a two-pound can; from Crane, Missouri, the rate is 30.5 cents per 100 pounds and will be increased 10.5 cents or approximately 2 mills per two-pound can; from Baltimore, Md., a large shipping point for canned goods, the rate is 49.5 cents and will be increased 20 cents or 2 mills per two-pound can.

"Sugar from New Orleans takes a rate of 44.5 cents, which will be increased 14.5 cents or less than one and one-half mills per pound.

"The rate on rice from New Orleans is now 36.5 cents per 100, but will be increased 12 cents or one and one-fifth mills per pound.

"The rate on milk from the chief shipping points, 30 to 60 miles distant, now average 2.5 cents per gallon. The advance in this will be 20 per cent, equivalent to one and one-quarter mills per quart.

BUTTER AND EGGS

"Butter from Elgin, Ill., and from creameries in Missouri, 250 and 300 miles distant, takes a rate of 44 cents per 100 pounds, which will be increased 15 cents or one and one-half mills per pound.

"Eggs from Missouri stations, 250 miles distant, now take a rate of 40 cents per 100 pounds. These will be advanced 14 cents per 100 pounds equal to three and one-fifth mills per dozen.

"Clothing from New York and Boston, including shirts, underwear, shoes and stockings, is now charged a rate of $1.315 per 100 pounds. This will be increased 52.5 cents perl 00, which would add to the cost of an overcoat or suit of clothes 2 and 1-10 cents; to the cost of a pair of shoes about 1 cent; on shirts, stockings and underwear not more than 2 mills each, and all this for a transportation haul of 1,100 to 1,200 miles.

"Calicoes, sheetings and ginghams take a rate from Boston of 98.5 cents per 100 pounds. This will be increased 39.5 cents, which means an added cost of a fraction over one-half mill per yard for the 1,200 miles transportation.

NO REASON FOR HIGHER PRICES

"It can be readily seen that there is not the slightest justification for any material increase by the dealers in the price of articles because of the new freight tariffs. Rates must be high enough to meet this increased expense of higher wages and advanced cost of material and supplies en-

terng into the operation of railroads and yield reasonable returns on the investment."

W. Jett Lauck, statistician and economist for the railroad Labor Board, supported the contention of the railroad officials that there need be no material increase in commodity prices as the result of the increased freight rates. He states:

"There is no occasion for alarm in the prospect of an addition of a billion and a half dollars in the transportation bill of the country, provided this item is not multiplied four or five times before it is presented to the people for payment.

"For instance, by no possible computation can the freight rates be made to justify an increase of 1 cent per pound in the price of meat, or 5 cents per pair in the price of shoes, or 10 cents in the price of a suit of clothes, or one-fourth of 1 cent in the price of a loaf of bread. Hence the public should be informed, and the forces of the government should be on hand to see that no unjustifiable burden is placed on the people as a result of the Interstate Commerce Commission's solution of the financial problems of the railroads."

Dr. Grover G. Huebner, professor of commerce and transportation, Wharton School, University of Pennsylvania, expressed the following opinion on the result of the increased freight rates: "It is perfectly clear that the public was losing money by not paying freight increases for the reason that the latter enabled the railroads to perfect their transportation facilities and so

increase the supply of commodities.

"As for the cost of living being enormously increased by the one and one-half billion dollars to be given to the railroads, this is a fallacy. The increase is simply an investment which will check the high prices and bring them nearer to normal."

A. P. Thom, general counsel for the Association of Railway Executives, made the following statement: "At a recent meeting before the Interstate Commerce Commission, a large number of shippers testified that inadequate transportation was far more costly to them than adequate transportation rates. They presented the view that if the producer cannot get his goods to market, production of the necessities of life will be diminished. On the other hand, if the producer can get adequate transportation production will be encouraged.

"If the supply of the necessities should be curtailed by inadequate transportation and the supply thus diminished, the cost of living would invariably go up. On the other hand with adequate production and a bountiful supply in the markets of the country the result would be to diminish the cost of living.

"While, of course, the demoralization incident to the war and to the government control and management of these properties cannot be overcome at once, the effect of the recent rate decision is to supplythe means by which carriers will be able to make more effective efforts to get the in-

strumentalities of transportation back upon a normal basis and in more efficient operation."

John J. Esch, chairman of the Committee on Interstate and Foreign Commerce, makes the following statement in behalf of the private ownership of railroads:

"The roads have made a remarkable showing of increased effciency by securing greater use of equipment on hand. This has been accomplished by increasing the tonnage of the freight car from 28.3 tons on March 1, 1920, to 29.8 tons on September 1, being a 5 per cent. gain and equivalent to 100,000 cars; and by increasing the average mileage per day from March 1, 1920, of 22.3 miles to 27.4 miles on September 1, being a gain of 23 per cent., which is equivalent to 400,000 cars. There has also been a large increase in the number of cars loaded. In the first week of June this year there were 769,000 cars loaded, and the last week of August, 985,000 cars, and the first week of September 994,677 cars, while for the week ending October 21, the total had reached 1,010,961 cars. The number of tons moved one mile during the first eight months of 1920 was 3,000,000,000 tons more than during the first ten months of 1918, which was the record year and while we were in the midst of war."

The reasons offered in behalf of private ownership and operation of the railroads of the country may be divided into two classes, or lines of argument. One appeals to the purely mercenary

side of the question. It sets up the vast amount of money invested in railways' stocks and bonds. The capital stock of 481 companies, operating 250,473 miles, is placed at $7,251,186,490, and the bonds held against these same roads is placed at $10,196,424,871, making a total of more than $17,-540,000,000. The total value of all the railroad property of the county is now placed at approximately $20,000,000,000. This property these railroad owners insist they have the right to retain and operate to their own profit, and in such way as to assure them reasonable income on their investment. The railroads are a business enterprise and they have the right, so long as they do not transcend any law of the country, to haul any freight offered, and as many times as offered, and at a rate that will pay expenses and net them the required profits. This is as little as could be asked of the railroad management as one of the great businesses of the nation. The immediate effect of their operations is all they are required to consider. They should not be required to be public benefactors and consider the welfare of the public except as shippers. If any one desires to ship anything over the raillines the roads are interested in so far as it will net them a profit to haul any commodity offered. But there is where their interest ends. They only know the American public as shippers: as consumers they know nothing of them. They are not supposed to be any more considerate of the consuming public than are any

other lines of business,and since no branch of American business is, or can be, operated successfully in deference to the welfare of the public as consumers it is unreasonable to expect them to operate their lines of roads so as to make a saving to the ultimate purchasers of the commodities hauled. The first and only purpose of operating the roads is for profit, and that rate which will yield the required profit the public should pay without complaint.

Then again from the viewpoint of the consumers the railway officials claim they can operate the various systems, separately, at less cost to the public than they can be operated as one system under government control; and that in addition to making a profit for their owners they are at the same time giving better service and at reduced expenses, thus saving so much to the consumers who are receiving so much solicitude from the opponents of private ownership. And government ownership must, necessarily, be at a loss, since the expenses would greatly exceed the revenues under government control and operation. As proof of this contention the following table is presented showing the result of gevornment operation during the year 1918:

Net operating revenue	$4,842,695,884
Expenses of operation	3,939,315,122
Operating ratio	81.35%
Net federal income after taxes and Standard return guaranteed by the	

rents	688,200,083
government	890,335,685
Deficiency	212,335,685

This table shows that during the year 1918, under government operation, the income from revenues fell more than two hundred millions of dollars short of paying the operating expenses and the dividends which the government had guaranteed to the stockholders, and in the face of this showing, the railroad officials contend, the adovcates of government ownership cannot reasonably claim there is a saving and economy in government operation.

FREIGHT RATES SMALL ITEM IN TOTAL COST OF COMMODITIES

It is claimed in behalf of the private ownership that in the total cost of commodities the item of freight is nominal, and is not really felt by the consumers. And thus the railroads are operated by the private corporations without any annoyance to the government and without being perceptibly felt by the public.

CHAPTER V

FACTS CONFUTING THEORY

The Esch-Cummings act granting an increase in rail rates has now been in operation long enough to show results. It is no longer a question of theory or opinion as to what the results to business and production will be. Private ownership has fully demonstrated its incapacity to handle the business on a basis commensurate with nation's requirements. Under the rate effective when the private ownership assumed control the business was so great the roads were unable to handle it. In September there were orders on file for 142,000 more freight cars than they were able to supply. This inability to move the freight manifested itself immediately after the government released the roads to private control. As early as May, 1920, the Associated Press carried the following information on the railroad situation:

Washington, May 12.—(By the Associated Press)—Congestion of freight in the principal railroad terminals, probably the worst since the hard winter of 1917, is beginning to be felt in

business and commerce all over the country.

Appeals for relief pouring into Washington to the Interstate Commission, the railroad administration, and to congress, picture the big railroad gateways choked with thousands of loaded freight cars unable to move because of shortage of men and motive power.

Although the situation has been showing local effects for the last two weeks, it now is being shown in its nation-wide aspects and the appeals for relief coming to Washington contain predictions that unless the jam is broken it will be reflected more than ever in decreased production, slowing down of industry and probably a tremendous labor turnover.

There is pressing need today for 82,411 cars to take care of the most urgent demands, railroad men declare, although they say this shows a reduction of approximately 10,000 over April report."

The urgent demand for cars continued until the raise in freight rates killed the business down to the capacity of the privately operated system to handle it. This first six months under private operation affords some very valuable material for comparison with the previous six months under government control.

This shortage of cars continued until the first of September, 1920, when the increased freight rates became effective. This six months affords a very good opportunity to compare with govern-

ment operation. On March 1, 1920, the government relinquished control and the roads were returned to the private owners. The government control had existed for a period of twenty months. During this twenty months the government operated the roads so as to meet all expenses and paid the stockholders a large part of the dividends which had been promised them. The receipts from operating the roads fell short about $725,000,000 of paying the dividends amounting to $890,000,000 annually or approximately $1,500,000,000 for the entire twenty months. This shortage of something like $725,000,000 was paid by the people in the form of taxes to the government, and by the government paid to the stockholders as their profits on the investments. So this is where the government fell down in its operation of the rail systems. It paid expenses and paid the railroad owners $775,000,000 as profits, but as stated before was short about $725,000,000 of what the government promised them. Because the government had to collect this amount from the people through taxation brought condemnation on the government for incompetent and inefficient operation of the system. The railway officials stigmatizes the government control as a failure because it failed to make the operating income meet the expenses and pay them the designatd profits.

The first six months of private operation after the return of the roads was a most propitious one

for the roads under private control to disparage unified control which they had superseded. They had an abundance of freight to handle, and the systems were taxed with business beyond the capacity of private operation. Business was piled upon them until they were submerged with the great quantities of freight which the owners were begging to have moved. There were something like 100,000 carloads in excess of their capacity during this whole six months' period. The result of this six months' private operation is told in the following figures taken from the Financial Chronicle, and printed in the New York Evening Post, under date of December 31, 1920:

NET EARNINGS AFTER TAXES

	1920	1919	Changes
Oct.	$117,998,825	$103,062,304	+$14,936,521
Sept. ..	102,329,084	93,423,391	+ 8,905,693
Aug. ..	*71,853,826	89,418,961	—161,272,787
July ..	18,827,733	87,949,402	— 69,121,669
Jun. ..	24,147,215	64,425,847	— 40,278,632
May ..	28,684,658	51,036,449	— 22,372,391
Apr. ..	11,797,818	41,637,642	— 29,839,824
Mar. ..	40,872,775	27,202,867	+ 13,669,908
Feb. ..	10,688,571	27,117,462	— 16,428,891
Jan. ..	85,908,709	36,099,055	+ 49,809,654
	1919	1918	
Dec. ..	38,536,432	44,919,752	— 6,383,320
Nov. ..	48,130,467	74,979,347	— 26,848,880

*Deficit.

CROSS EARNINGS

	1920	1919	Changes
Oct. ..	$633,852,568	$503,281,630	+$130,570,938
Sept. ..	594,192,321	480,408,546	+ 113,783,775
Aug. ..	411,423,158	367,865,628	+ 73,557,530
July ..	467,351,544	401,376,485	+ 65,975,059
Jun. ..	430,931,483	369,225,761	+ 61,705,722
May ..	387,330,487	348,701,414	+ 38,629,073
Apr. ..	385,680,982	372,828,115	+ 12,852,867
Mar. ..	408,582,407	347,090,277	+ 61,492,190
Feb. ..	421,180,876	348,749,787	+ 72,431,089
Jan. ..	494,706,125	392,927,365	+ 101,778,700
	1919	1918	
Dec. ..	451,991,330	440,481,121	+ 11,510,209
Nov. ..	436,436,551	439,029,989	— 2,593,438

These figures show that for every one of the first six months, excepting March, the net earnings were below that of the corresponding month of the previous year when the government was managing the roads. And for the month of August the private operation fell behind in net earnings, $161,272,878, the government record for the previous year.

This slump in net earnings, under private operation, forced the government to go to the people with a tax to raise $656,000,000 to meet a six months' deficiency. This is only about $100,000,000 short of the total deficiency which developed during the twenty months of government operation. And the monthly deficiency under private operation is just about three times what it was

under unified control. They cannot attribute this slump in net earnings to a slump in business for the business during this six-month period was at all times pressing the roads beyond their capacity. Nor can they attribute it to a shortage of equipment as was at first tried. Under the unified control the government had ample equipment to handle the business and at times had as high as 400,000 to 500,000 idle cars in excess of traffic requirements. The government has been condemned for not providing additional equipment while it had control of the roads. It provided all the new equipment needed to handle the traffic and there was no occasion for more than that. F. D. Underwood, President of the Erie Railroad Company, voices this sentiment in the New York Evening Post's Review of the year 1920, as follows:

"(5) No comparison between the physical condition of the railroads during the period of Federal administration and the present is accurate. The locomotives are, as a whole, in as good condition as they were prior to 1918. A great number of new cars are not needed. The difficulties in moving traffic are not wholly due to a shortage of cars. When put in good order and maintained the present cars will meet the present requirements. At this writing there is a surplus of equipment."

In the same issue of that paper is the following comment by W. G. Bierd, President of the

Chicago and Alton Railroad Company:

"The greatest need of the railroad today is that amount of money necessary to improve locomotive terminals, sidings, switching yards, and double tracking, so that a greater efficiency can be secured from the equipment now owned and operated. If a reasonable amount of money is expended on these facilities to enable the railroads to get a higher efficiency out of the equipment now owned there is, generally speaking, enough equipment in the country as soon as it is placed in a good state of repair to move with promptness all the business there is to move, and even more than has ever been moved in the past. For the greatest weakness of the American railroads today is their inability to get the best out of the equipment they have purchased and are maintaining.

"I go so far as to say that a large amount of additional equipment will retard, rather than increase, our carrying capacity. The failure now is that we do not move the equipment as it should move. Therefore, a not large sum, but a reasonable sum of money, spent to improve terminal facilities will not only increase the railroads' capacity to a great degree but will do more to reduce operating expenses than any other moneys that could be spent."

The $656,000,000 which the taxpayers are called upon to raise to make good the government guarantee to the railroad owners is a very small

part of the actual cost of private rail operation. Instead of hauling products from the source of supply they supplied the cars to speculative trade and stiffled shipments from the points of production. This created a scramble for the supplies then on the market and the speculative trade utilized the transportation system to almost its full capacity and products on farms and at factories were permitted to rot or depreciate in value. The fruit and truck growers lost millions of dollars worth of products because they were denied a car supply. The wheat growers in the state of Kansas alone are estimated to have lost something like $100,000,000 on account of the private system refusing to furnish them cars to move their grain during the shipping season. The total loss to the growers cannot be adequately estimated but it no doubt runs into the billions of dollars. This loss is certainly much in excess of the $656,000,000 which the taxpayers had to "dig up" to make good the deficiency in six months' private inefficiency.

THE RESULT OF THE INCREASE IN RATES

On August 26, 1920, the new railroad freight rates became effective. On the basis of the previous year's business it was calculated to raise approximately $1,700,000,000 more revenue than the old rates provided. The statisticians who did this figuring belong to the old school of supply and demand as a general regulator. They figured that if there were as large supply of freight as the previous year there would be as large demand

for railway service to transport that freight to the markets. In this they were mistaken in part. The demand was there. There was as much, or more freight, to be hauled, but there was not a market for the freight service at the established price. The demand was not coupled with the ability to pay, and therefore there was no market for a large part of the railway service and it went to waste because it was placed above the ability of the people to pay. This killed a large part of the freight service and it destroyed a larger part of the county's products. Even the men who manipulated this Act through Congress, did not realize its baneful effects. And certainly the people were ignorant of what was to be the results of this legislation.

Hon. George Huddleson, in a speech delivered in Congress, on December 31, 1920, characterizes that legislation in the following language: "It was obvious to those who understood the Esch-Cummings Act that the public Treasury would be rifled under the provisions by which earnings were guaranteed for a limited time. Under that provision $656,000,000 has already been taken out of the Treasury by the Railroad owners, and it is reliably stated that another $656,000,000 will be required to discharge the obligation which was assumed by that act. This will make a total of $1,300,000,000 which is $65 for every head of a family in the United States."

"The eyes of the people are being opened at

last. They are seeing now what they should have seen months ago. Their anger rises as they become enlightened, and it may transpire that they will be aroused before it is too late to take vengeance.

"The power of the interests behind the railroads is overwhelming. They are able to mold and control public opinion at will. At a sign from them the presses of great newspapers change stroke, the channels of public informtaion are blocked, criticism is silenced, and bandages are placed upon the eyes of the people. Dealing with these great selfish interests we are confronted not only by railroad officials and manipulators but with captains of industry and finance, capitalists, and, after them, with civic bodies and with wealth and property interests with lines running from the heart of Wall Street throughout American business life down to the shareholder of the country bank. All are marshaled to meet an attack. It is not merely a matter of politics or business but ties onto social affiliation and prestige; and the attacker finds himself not only strangled in business life but alienated from his friends. To attack these great financial interests is, they say, 'making war on society and on our institutions.' To criticize the crooked managements of railroads, and the schemes by which they are enabled to fleece the people, is to be a 'socialist' or a 'bolshevist' and an enemy of society and to be frowned on by the highest social classes from the met-

ropolitan club to the lively circles of the village literary society."

Mr. Huddleson quotes from the Birmingham Advance as follows:

"The true inwardness and meaning of the Esch-Cummins Act now begins to be seen by even the least informed. The most simple-minded can not shut his eyes to the startling increase in railroad rates which the law has caused. Under it the Interstate Commerce Commission was compelled to grant exorbitant increases, which in this territory are 25 per cent on all freight rates, 20 per cent on passenger fares, and 50 per cent on Pullman charges. It is estimated that the annual charge upon the pockets of the people of the United States which the increased rates will produce is over $1,500,000,000, the equivalent of $75 for each family. Think of it! A tax of $75 annually levied by this law upon every head of a family in America.

"But the increase of $75 annually on each head of a family, which goes into the pockets of Wall Street, does not represent all of the added burden imposed upon the people, for to the increased rates must be added increased profits, manufacturing costs, overhead charges, and a multitude of other items. Experts on the subject estimate that for every dollar that goes into the pockets of the railroads, $5 are taken from the consumer. So that the colossal steal from the American people chargeable to the Esch-Cummins Act reaches

the stupendous total of $7,500,000,000, $375 for each family per year."

The following specific increases in rate are given in reply to the statements made by the railway officials that the rate increase would not be felt by the public:

Brawley, Calif., Dec. 17.—L. C. Seibert of the Crutchfield & Woolfolk interests, said this week:

"The increase in the freight rate alone, figuring an average of 200 crates to the car, represents as much profit as the grower ordinarily makes and the freight rate must come out of the grower's end."

The outlook for cantaloupes is equally serious and unless relief is secured it now looks as if there will be a greatly curtailed acreage.

Following are a few of the old and new rates on cantaloupes from Brawley to various Eastern cities. These figures comprise only the recent flat increase granted the railroads, previous raises granted the roads not being shown:

Brawley to Kansas City—
1921 $1.57
1920 $1.23 Increase 28c.

Brawley to Chicago—
1921 $1.59
1920 $1.29 Increase 30c.

Brawley to Pittsburgh—
1921 $1.79
1920 $1.45 Increase 34c.

Brawley to New York—
1921 $1.92
1920 $1.56. Increase 36c."

"Los Angeles, Dec. 10—L. K. Small, executive chairman of the vegetable dealers' department of the Produce Exchange of Los Angeles.

"For instance, with nearly every letter from the general office of most railroads one sees a neatly printed circular calling attention to the fact that the recent increase on a great many commodities amounts to but an infinitesimal fraction of the actual value of the commodity mentioned and quote as an example the increase on a pound of beef from Reno to Los Angeles or the increase on a silk shirt from New York to Chicago. Realizing, of course, that the vast majority of people do not wear silk shirts nor do they ship much beef between the points specified, it might be interesting to the public to know just how this increase affects them on some of the commodities which they consume daily.

"For instance, take California lettuce, a commodity which is shipped every day in the year from Los Angeles county to all parts of the United States and on which the average center of distribution would probably lie somewhere just East of Chicago. The old freight and refrigeration rate on lettuce to Chicago was roughly 95c and with the recent increase now amounts to $1.44 per average crate, an increase of 49c. Now when one considers that the actual value of this lettuce in

California during a larger part of the shipping season approximates 60c per crate at the field, and the increase amounts to 49c, it does not take a mathematician to see that the increase is equivalent to approximately 70 per cent of the value of the commodity.

"Another good illustration is California cantaloupes, of which, during a normal season, more than 5,000 carloads are moved annually from the Imperial Valley. These cantaloupes can be contracted at shipping point on a basis of $1 per crate for the melons and the freight increase amounts to approximately 50 per cent. This same ratio holds true to a greater or less extent on practically all California commodities, but one never hears carriers cite these illustrations in their printed propaganda.

Kansas City, Dec. 10.—Rate increases, apparently amounting to an average of one-third of the already existing charges, have in actual application worked to double the cost of transportation for perishable fruits and vegetables, according to members of the local trade.

In analyzing the freight rate increases, R. R. Brown, local manager for the C. H. Robinson Co., points out that these increases have been fairly uniform and that the average of transportation costs is approximately twice that of a year or so ago. In citing specific instances, Mr. Brown shows that a car of California celery for which the shipper received $292.05, cost a total of $874.-

33 laid down at Kansas City.

Of the costs attendant upon the delivery of this car of celery, $292.05 was the cost of the celery f. o. b. Orwood, Calif., $94.60 was the cost of 172 crates at 55c each, $403.48 was the freight charge, $14.20 was war tax, and $70 was the cost of refrigeration. From these figures, the delivered cost per crate of this celery was $5.08, of which cost, $2.84 was for transportation. The rate on a similar shipment made in November of 1919 was $2.17 per crate and on shipments during previous seasons, approximately $4.70.

Similarly with Northwestern apples it is pointed out that whereas transportation costs totalled 47c per box up until recent seasons, present costs from Northwest shipping stations are 86c per box to Kansas City.

On grapefruit, a recent shipment may well be used as an example. In this shipment were 348 boxes which at a freight cost of $1.53½ per box, totalled $534.18. Added to this the $16.03 war tax, the total cost delivered was $550.21 or $1.58 per box as compared with a cost of $1.15 a year ago and 92c per box prior to January 1, 1919.

The schedule of rate increases which the railroads are publishing through the magazines for the enlightenment of the public seem misleading in the light of those facts, at least as far as the fruit and vegetable industry is concerned, and receivers say that no one thing is doing as much to injure the producers and the trade as are the

prohibitive freight rates which are being charged by carriers under the new rate advances. That this rate increase will likewise react to the detriment of the carriers themselves is believed as the high rates are reducing tonnage, thereby curtailing rather than increasing the net revenues of the roads.

HOW INCREASED FREIGHT RATES ARE AFFECTING PRODUCTION

A few opinions of leading men on the effects of the increase in freight rates. These opinions are taken from the New York Packer dated January 1, 1921.

From Andrew MacKay & Co., Penn Yan, N. Y.:

Would say much of the apple and cabbage crop has gone to waste in this section owing to high prices of freight and packages. Express rates are so high that small fruits were allowed to go to waste as growers could get nothing out of them.

* * *

From Craddock & Stallings,
Humboldt, Tenn.:

In our opinion the reduction in tonnage will more than offset the gain to the railroads because of the freight advance.

* * *

From Herbert Chase Produce Company,
Delta, Colo.:

Because of freight rates we are not now shipping onions or potatoes to Texas points, formerly

our best markets. Present cost to deliver to Houston is $1.01 per cwt. The business here will not stand it.

* * *

From American FruitGrowers, Inc.,
T. H. Peppers Division, Los Angeles:

We cannot over-emphasize the seriousness of the situation which has arisen as a result of the many and continued advances in our transportation costs from California to Eastern markets.

The last advance amounting to about 33 1-3 per cent seems to be the straw that is breaking the camel's back, although from its very size it seems more like a ton of hay than a straw.

* * *

From Eastern Shore of Virginia Produce Exchange, Onley, Va.:

We have no doubt but that shipments of fruits and vegetables have been, and will be in the future, greatly curtailed by the excessive freight rates which are now being charged by the railroads.

* * *

From Apple Growers' Association, C. W. McCullagh, Hood River, Ore.:

In our opinion several hundred carloads of apples will either go to the cider, vinegar or canning plants or will be dumped unless there is a material difference in freight rates.

* * *

From Hovey & Co.,
Mars Hill, Me.:

All we ship is potatoes, as you know, but the excessive freight rate is playing havoc with our business. This high rate together with market conditions has cut our business over 100 per cent, in other words, we had shipped up until yesterday, 90 cars, last year this time we had shipped 298 cars.

* * *

From R. O. Applegate, Jr.,
Miami, Fla.:

It is our own opinion from observation to date that the total output of fruits and vegetables will easily be reduced one-third in tonnage as a result of the high freight rates.

* * *

From L. K. Small Company,
Los Angeles:

As a matter of fact, there are few commodities in California today on which the present freight can be paid and leave anything for the grower.

At this writing the cost of production, plus packing, plus freight, leaves a deficit on citrus fruits and vegetables of practically every kind.

Unless freight rates are very materially reduced it is unlikely that more than 10 per cent of the vegetable crop now maturing will ever reach the ultimate consumer. Imperial Valley alone has some 5,000 or 6,000 acres of splendid head lettuce

which will be allowed to rot in the field unless assistance comes in that direction at once.

* * *

From T. T. Michaud,
Soldier Pond, Me.:

On account of the high freight rate and low prices on potatoes, at least 1,000 cars of No. 2 potatoes will go to waste in Aroostook county.

Of course they are good food, but the shippers can't afford to ship them and take the chances on freight charges.

* * *

From Walla Walla Gardeners' Association,
Walla Walla, Wash.:

We have had a good example of high freight rates damaging the produce business materially and cutting down the tonnage in this district this year. There was a very good crop of onions to be marketed but on account of the high freight rates and low market prices in the East, it was impossible to market them all to advantage. Fully 100 carloads were left in the fields to rot and a number of cars that were shipped did not bring freight charges.

* * *

From Yakima County Horticultural Union, Fred Eberle, General Manager, Yakima, Wash.:

The present extreme high and unjust rates charged by the transportation companies are greatly damaging the fruit industry of the Northwest.

Regarding wastage account of being unable to get fruit to the markets, because of the excessive transportation cost, we ourselves at the present time have in our various warehouses several thousand boxes of apples that will have to be dumped or hauled to the cider mill because of the fact that they would not sell for enough to pay freight charges, to say nothing about packing, notwithstanding the fact that these apples are good sound fruit and free from any infection.

* * *

Los Angeles, Jan. 14.—The freight rate on a carload of oranges to Eastern markets this year is $184.80 more than it was in 1919, which placed upon the industry an added burden of $9,000,000 which must necessarily be paid out of the net returns, since it cannot be added to the price of the fruit.

In two and one-half years the rates on a carload of oranges have increased $337 per carload which means an increase of $16,680,000 on such a crop as will be marketed during the next ten months. In addition to this enormous burden in the way of increased freight rates, the growers have produced the present crop under the highest cost of labor and material costs in the history of the industry.

POTATOES BRINGING ONLY COST OF SEED

Rochester, N. Y., Feb. 18.—The potato market is in dubious shape. Prices have been gradually

sinking for many weeks and today 35c a bushel is about the top to growers for good stock delivered at the car. At that level of prices, growers on the average will hardly get more than the price of the seed back. Seed sold up to $4.50 last May which means that it takes about 13 bushels of potatoes to pay for a bushel of seed. Taking 12 to 14 bushels an acre as a fair seed average, it takes a yield of 150 to 165 bushels of merchantable potatoes to pay for the seed. Where this lands the grower is obvious. Dealers are offering U. S. Grade, No. 1, sacked, at $1 per cwt., with some lots a shade under that mark.

DR. EUGENE H. PORTER TELLS OF MARKETING SITUATION IN NEY YORK

New York, Feb. 18.—Statement by Dr. Eugene H. Porter, State Commissioner of Foods and Markets.

Farmers all over the country are suffering such severe losses that they are experiencing great difficulty in financing their operations for the next season. Many of them are planning to reduce their acreage of planting. The Southern growers are particularly hard hit.

A few examples will illustrate what the present market conditions mean to them. A grower at Sanford, Fla., shipped a carload of 400 crates of lettuce which sold here for $339.48. The freight alone amounted to $339.75, the icing charges $77.50, war tax $12.52, cartage $27.93 and com-

mission to the receiver here $33.95. When the total expenses of $491.65 were paid, the farmer got a bill for $152.17 due the commission men.

And this is nothing compared with some other cases. A grower at Laredo, Tex., sent a carload of 756 bushel baskets of spinach to New York, which brought only $467.35 on the market. The freight charges alone were $627.47 and the total expenses amounted to $720.66. He not only got no compensation for his labor and expense in growing and shipping the spinach, but he still owes the commission man $253.31 for the balance of the expenses. Another carload of spinach from Austin, Tex., sold for $262.99 less than the freight and cartage charges. Another carload of 920 baskets of spinach from Derby, Tex., sold at $1 a bushel and after transportation charges were paid brought the grower only $134.63 for the whole carload. That amounts to about ½c a pound for the farmer at a time when spinach was bringing winter-time prices in the retail stores. Another carload from Bay City, Tex., brought the farmer nothing but a bill for $143.16 to pay the balance of the transportation and commission charges.

California growers are also hard hit by the new freight rates and low prices. For example, a shipment of 172 crates of celery that came in this week from Knightstar, Calif., brought only $559. The transportation charges amounted to $626.66, which added to the commission charges

of 7 per cent made the total shipping expense $665.79. The farmer owes the commission man $106.79 for the privilege of growing and sending good celery to the people of New York city. Another carload of celery from Walnut Grove, Calif., brought the grower a net proceeds of only $55.27 for 164 crates, the freight charges alone amounting to $609.83. There are six to eight dozen stalks in one of these crates, so the housewife can figure for herself how much the farmer got out of what she paid for her celery.

It is not only the growers in distant states that are suffering big losses from the drop in prices for farm products and the high freight rates. Dozens of New York state farmers have shipped carloads of cabbage, onions, potatoes, apples, carrots and celery to the market in the last few days only to receive net returns so small as to pay little more than the cost of the containers. For example, a car of 250 sacks of onions from Central New York brought only 75c per 100-pound bag. When the freight charges of $80.15 were paid, the farmer got a net return about 25c a bag and the bags themselves cost him 15@20c.

A carload of 29,400 pounds of carrots from Western New York sold for 8½c a pound wholesale and out of that the farmer actually got a little over 3c a pound, or $99.18 on the whole carload. A shipment of 190 crates of celery from Wayne county, N. Y., brought this week the farmer only about 50c a crate containing six to eight

dozen stalks. The transportation and commission charges came to $197.90 and the net returns of the farmer only $103.35.

Potatoes, which brought $8@8.50 a barrel this time last year, are now selling around $2.25 per barrel of 180 pounds. A carload received here this week from Genesee county brought the farmer, after he had paid the freight and other charges, only about $1.50 per barrel. He not only had all the expense of growing the potatoes, but the cost of the bags and the hauling and loading.

On cabbage particularly the New York farmers have had great losses this season. Last year at this time cabbage brought from $75 to $100 per ton, wholesale. Now the farmer does well to get from $12 to $15 per ton. The freight and war tax is usually more than his net return. For example, a recent shipment of about 15 tons from Scottsville, N. Y., sold for only $193.15 and the freight alone was $94.37. The net return the farmer got was only $66.47, a little over $4 per 2,000 pounds of cabbage."

A. P. Thom, general counsel for the Association of Railway Executives gives the public the following conclusive argument:

"At a recent meeting before the Interstate Commerce Commission a large number of shippers testified that inadequate transportation was far more costly to them than adequate transportation rates. They presented the view that if the producer cannot get his goods to market, produc-

tion of the necessities of life will diminish. On the other hand, if the producer can get adequate transportation production will be encouraged.

"If the supply of the necessities should be curtailed by inadequate transportation and the supply thus diminished, the cost of living would invariably go up. On the other hand with adequate production and a bountiful supply in the markets of the country the result would be to diminish the cost of living."

WHAT IS INADEQUATE TRANSPORTATION

An inadequate transportation service is one which cannot move the products sufficiently to keep the producing points relieved of their output, or a service which does not move such products at a rate for carriage which encourages the producers to keep the supply going forward in sufficient volume to meet the demands of the consumers. The shippers did not realize that a prohibitive freight rate was a mark of inadequacy equaling inefficiency in movement of the goods. Inadequacy is the failure to get the merchandise to the consuming public at a price which it can afford to pay. To be able to deliver the goods at a price which the consumers cannot pay is equivalent to no delivery and stamps the system as impractical and inadequate. There is no occasion for amazement that the producers refuse to make shipments and pay to the railway system more for transportation than they get for their

produce when placed on the market. It is a well established economic principle that when the price of an article increases the market demand for that article decreases. That will hold good when selling freight services—increased rates meant decreased sale for the services. This is an economic theory, but it has been verified even when applied to the transportation question. According to the report of the American Association of Railway Executives the number of idle cars on January 31, 1921, was more than 300,000 which represents and increase of about 8 per cent for the seven days. "The decrease in tonnage," says this report, "which the carriers were offered was further exemplified by the fact that the number of cars loaded for the week ending January 2 totalled but 699,936, which represented a decrease of 103,396 as compared with the same period for the preceding year."

The failure of the railroad officials, and the National Law Makers, to take into consideration the paying ability of the 90,000,000 people who are living on incomes averaging around $500 annually was fatal to their calculations. These people cannot spend more than their incomes and when the railways attempt to collect more than this from them they will meet this attempt by having the railways bring them a decreased amount. This is exactly what the consumers are doing and it is leaving billions of dollars worth of needed commodities to go to waste at the point

of production and is also causing a general reduction in output. When there is no movement of the commodities from the producer there will be no movement of supplies and necessities to him. The business or industry which cannot ship its goods out cannot have other goods shipped in. This reduces tonnage and at the same time reduces railway receipts. This accounts for the condition of the railway as disclosed by the report of the American Association of Railway Executives based on the report of the principal railroads of the country to the Interstate Commerce Commission. "Earnings during December, 1920, the statement said," were $69,921,000 less than the six per cent expected under the rate advance of last August.

"The Association asserted that of 202 roads reporting for December 88 of them with a total mileage of 34 per cent of the country's trackage failed to earn their expenses by $20,173,000."

The expected receipts were not forth coming under the new tariffs. The freight rates were placed above the market price of so many articles, which would have gone forth on a lower rate, that it is reducing the tonnage offered for shipment by almost exactly 12 per cent. If this same reduction holds good throughout the year it will bring a reduction in tonnage valued at $18,000,000,000, or almost exactly equal in amount to the railway values. If all available freight would move at the established rates the expectations of

the railroad officials would be realized, and the expenses of operation would be met and there would be the necessary surplus for six per cent dividend. But in so far as the producers refuse to ship the available freight the government must make good this deriliction by paying for this withheld freight, up to an amount sufficient to give the railroad security-holders a six per cent profit. This will work for a time until the public will demand a delivery of the goods on which the freight is paid. When that time comes the holders of railway securities will be the most ardent advocates of the government taking over the rail systems and operating them as an unified body. When the present system of government support is withdrawn the roads will naturally go to the government for operation. At that time the railway officials and stockholders, and the public as consumers and producers will welcome the change. It will not be a question of private or government operation. Private ownership is no longer practical nor feasible. The future controversy will be over the proper method for the government to pursue in its operation of the great railway systems so as to promote industrial and national growth.

CHAPTER VI

SOME ADVANTAGES OF PUBLIC OWNERSHIP

UNDER PRIVATE OWNERSHIP THE RAILROADS ARE NOT OPERATED FOR the interest of the public. The public may incidentally get benefits from their operation, but it is merely incidental. It is not the purpose of the railroad management to extend any favors to the public that will have to be paid out of the revenues of the transportation companies. They could not afford to do business on that basis. They must extend their accommodations where they will bring to the companies the largest compensation. That is the only theory upon which the private operation of the roads could be continued. When this policy is reversed and the roads are forced to operate so as to extend the greatest good to the public, the roads cease to be a financial success and private ownership becomes a failure.

So the question bluntly stated is, shall the consumers, who pay the freight, continue to support a system whose very existence depends upon *forcing* them to pay a maximum charge? And a

system that cannot afford to economize in behalf of the public. It is true as the railroad officials and their friends state, that the raise in freight rates, when distributed among all commodities carried, amounts to a very few cents per commodity. But it must be remembered that these few cents are taken from a people, 90 per cent of whom are hard pressed by poverty, and that it will be just as much, or more, of a sacrifice and hardship for them to pay even this small amount than it would be for the railroads to get along without it. And while the roads' incomes are increased 25 to 40 per cent that increase becomes a burden and probably a deficit with a great majority of the consumers. When these freight rates are presented in detail they appear very harmless additions to the family budgets and are passed by the law-makers as inconsequential.

RAILWAY STATISTICS AND FIGURES MISLEADING

The American people are too credulous for their own good. They accept statements which appear on their face to be self-evident and which upon investigation would prove to be not only fallacious but deliberately false.

When these friends of the railroads send out figures showing the freight rates from one town or locality to another as though that measured the freight charges on the commodities from the *producers to the* consumers, and, therefore, that

that is the amount of freight charges that will be taxed against the mentioned commodities, they are intentionally or unintentionally misleading some one. They do not state that the commodity mentioned will have from five to ten such freight charges taxed against it before it reaches the consumers, and that if that one haul was all they handled the products of the United States their incomes would not be sufficient to pay half of their wage account.

The roads will haul the annual productions enough to add another $1,500,000,000 to their income and that much must come from somebody's till. Presented in the aggregate it means that $15 of the amount must be paid by every individual in the country, and reduced to the family unit it carries an increased burden of $75.00 into every home with five members. And $75.00 is not an insignificant item to the average American family. This aggregate of $1,500,000,000 added to the freight bill of the consumers is not built up by giving commodities single hauls. The annual products of the United States, when completed ready for consumption, are valued at approximately $25,000,000,000; the railroad statistics show that the railways hauled in 1920 freight valued at approximately $150,000,000,000. This indicates an average of six hauls for every commodity that went on the market during the year. So it must be remembered that the items given out by the railroad officials will be increased five

to ten times by the railroads themselves before reaching the consumers, and that this initial shipment will represent only about 20 per cent of the cost that will be taxed against the commodity when it reaches the ultimate purchasers. If the consumers could pay this initial shipment charges and let it end there there would be some force to the contention of the railroad officials. But it does not stop there. This freight must pass through the hands of several speculators in various sections of the country and the consumers are required to pay for these hauls from one speculator to another, and with the freight charges go the commissions and brokerages of the middle-men and speculators. These freight charges accumulate profits, commissions and expenses until they reach the consumers at approximately three times the original outlay to railroads.

This is shown in the finished commodities, in 1919, valued at $20,000,000,000 going to the consumers at $68,000,000,000, indicating an increase ofabout three dollars to the consumers for one dollar paid to the ultimate producers. This is made possible by the railroads being utilized very largely to accommodate the speculators without whose support the railroads as private organizations could not exist without increasing freight rates on legitimate business five or more times the established tariffs. So the speculators and middle-men can not be eliminated without forcing the government to take over the railroads, or else

quintuple present rates on legitimate transportation.

With the increase in freight rates the railroads will receive a revenue from freight estimated at approximately $7,000,000,000 annually. A multiplicity of profits and commissions on this sum, as the commodities which carry it pass through the hands of numerous speculators, will increase it to about $20,000,000,000 when it is handed to consumers for payment.

NOT SO MUCH THE LENGTH OF THE STEP AS THE DIRECTION OF IT

AS HAS BEEN SHOWN the increase in freight rates carry a threefold burden to the consumers who are no more able to pay this increased rate than the railroads are to get along without it. It demonstrates the indifference of the railroad officials toward the public's welfare and their determination to get the last dollar available regardless of the public need and hardships. This statement is not intended as a reflection on the railroad management. No man should be blamed for doing what he is compelled to do. These railroad officials are representatives of the private ownership of the roads and they must show a profit to their stockholders or the system fails. They had no other place to go to get the necessary funds to support the system, and from their standpoint the system had to be supported at all hazards and this forced the application for

the increased rates. The government had been operating the roads at an alleged loss. It is true the government had largely increased the pay of the railroad employees and was still able to pay this increased wage and all other expenses except $212,000,000 of the amount due as dividends to the stockholders. The government guarantee of $890,000,000 profit to the stockholders is what caused the deficit. Had it not been for that guarantee the government would have had a surplus of more than $675,000,000. Under government ownership this sum would have been saved to the government and that surplus could have been utilized toward defraying other government expenses. Government ownership under such conditions would have been pronounced a success, since it would have shown a surplus of nearly three-fourths of a billion dollars annually. That surplus would defray the legitimate government expenses for a year under an economical administration.

There are other items that the government paid that would not be charges against the government under government ownership.

The government paid out of the receipts more than $192,000,000 for taxes, and $128,000,000 for lease of roads. When to this is added the more than $890,000,000 dividends paid to the stockholders it indicates how much freight rates could have been reduced under government ownership. By eliminating these items as an expense against

the operation of the roads would effect a saving of more than $1,700,000,000 which would have permitted a freight reduction of nearly one-third.

Instead of getting this reduction under private ownership the roads asked for an increase of almost exactly this amount and it was granted. Thus the roads are getting almost exactly $3,500,000,000 more from the public than it would cost to operate under government ownership.

"THREE DECADES OF RAILWAY PROGRESS,"

Prepared by the Bureau of Railway News and Statistics for the fiscal year 1888, 1908 and 1918 with percentages of increase:

Population—1888, 59,974,000; 1908, 88,938,527; 1918, 106,733,000: increase, 79.9 per cent.

Miles of line—1888, 136,883; 1908, 230,494; 1918, 250,743; increase, 88 per cent.

Net capitalization—1888, $7,366,745,000; 1908, $13,007,412,000; 1918, $16,981,946,000; increase, 130 per cent.

Revenues from operation—1888, $910,621,000; 1908, $2,393,805,000; 1918, $4,969,910,000; increase, 445.8 per cent.

Expenses of operation—1888, $594,994,000; 1908, $1,669,547,000; 1918, $4,055,238,000; increase, 581.6 per cent.

Freight, tons carried—1888, 476,774,000: 1908, 1,532,981,000; 1918, 2,402,707,000; increase, 504 per cent.

Freight, tons carried 1 mile—1888, 61,027,-464,000; 1908, 218,381,554,000; 1918, 409,017,-453,000; increase, 568.6 per cent.

Average haul per ton (miles)....1888, 128; 1908, 143.8; 1918, 169; ncrease, 32 per cent.

It does not require a very experienced statistician to conclude that there must be something wrong. This table does not present a healthful nor legitimate increase in freight traffic.

It shows 79.9 per cent increase in population; 88 per cent increase in railway mileage; 445.8 per cent increase in revenues from operation; 581.6 per cent increase in operating expenses; 504 per cent increase in tons of freight carried; 568.6 per cent increase in the freight tons carried one mile, and 32 per cent increase in the average haul per ton. This shows that the tonnage hauled and expenses incurred have enormously outstripped increased population and increased mileage. Whereas, the expenses to the public averaged $15 per capita in 1888, it had increased to more than $48 per capita in 1918, and $60 per capita in 1920; and whereas, the tonnage hauled averaged less than 8 tons per capita in 1888, it was more than 22 tons per capita in 1918. There was a net increase of $55 per capita in the transportation expenses of the American people during this period. Figured to the family unit, it throws an increased burden of $275 per year on each family for the support of the railways. This amount saved to these families is an item worth considering.

INFLATED RAILWAY BUSINESS

The railway business is inflated out of proportion to the population and also out of proportion to the production of the country.

President Kruttschmitt of the Southern Pacific Railway, in a prepared article given to the press in February, 1920, declared that the freight charges received by the companies, in 1919, equaled only 2.4 per cent of the value of all commodities hauled. This places a valuation of approximately $150,000,000,000 on the freight handled during that year.

The value of all commodities produced on farms and in factories in 1919, is placed by the government estimate at $30,000,000,000 for manufactures and $24,000,000,000 for farm products. But since not half of the farm products are placed upon the market, they do not become subject to freight charges: and the farm products that were shipped were absorbed in the value of the manufactures.

The value placed upon manufactures includes numerous cumulative and repeated valuations, so that the actual value of the finished products were not much, if any, in excess of half of the estimate placed upon them by the government. I will concede that the products, when delivered to the railroads by the producers, had a valuation of $25,000,000,000. This shows an inflation of railroad freight from $25,000,000,000 to $150,000,000,000, or 600 per cent.

This means that every ton of freight was handled upon an average of six times from the time it left the producer until it was delivered to the consumer.

If all freight could be confined to one haul, and that direct from the producer to the consumer, it would reduce the value of the freight hauled to near the original productive value of $25,000,000,000, or 16 2-3 of the present total.

DEFLATING FREIGHT TONNAGE

There are three contributing causes to the inflated freight tonnage. One is speculation. The freight system is very largely used to haul freight from one speculator to another. The speculators buy the commodities from the remote sections of the country and have them shipped to a central point, where they are hoarded till the highest possible price is obtained. These commodities are then either sold to another speculator or shipped to the remote parts of the country, frequently to the same locality from which they were originally purchased. This utilizes the railways to accommodate the speculators at the expense of the public, and the large amount of freight going in and out of these concentration points creates a congestion and ties up the cars when needed for legitimate traffic.

Another cause of the inflated freight tonnage is the suppression of the small factories and businesses throughout the country. The raw mate-

rials and supplies which these small concerns have been using must now be shipped to the large factories which suppressed them. These large concerns may be several hundred miles away and are usually located in the large concentration points where their shipments help to increase the congestion caused by the speculators. Then these large factories ship their output back through the country, thus doubling a haul that represents a pure waste.

A third factor in the freight inflation is the disposition of the road to haul its freight as far as possible over its own lines. If a railway company has a line of road from Dallas to St. Louis and from St. Louis to New Orleans it will be inclined to transport freight, originating at Dallas, over its line to St. Louis and thence to New Orleans, rather than send it direct to New Orleans, from Dallas over some other line.

The mere statement of these three causes, operating to promote present freight congestion and adding so greatly to the freight charges, suggests the remedies. It also convinces that the evils cannot be overcome under private ownership. The time has arrived in American business and production when the railways must be used for the benefit of the producers and consumers, and not for the purpose of piling up the largest possible profits to the owners and operators.

The first consideration must be the public good and this is incompatible with a private ownership.

whose first consderation is always, and necessarily, the greatest possible profit regardless of the public.

To permit a removal of the evils a unification of the entire railway system is imperative. When freight is shipped it must go over the shortest and quickest route. It should be distributed similar to the mail—where there is a short or quick cut that is the one it should take. If all mail along the main lines were taken to New York and then distributed from there back to the small towns, the congestion would be so great in New York that it would approach the impossible to keep it distributed.

This plan of distributing freight could be worked out only through government ownership. When freight can be shipped so that the system will receive the same compensation regardless of which route the commodities pass over, the foundation will be laid for solving some of the transportation difficulties.

SPECULATION

The transportation system should be limited, as far as practicable, to hauling commodities from the producers to the consumers. This is where private ownership would come in conflict with the proper solution of the great difficulties. Private ownership would insist on the greatest amount of hauling in order to produce the revenue from which profits may result. The public

pays the bills anyway and demands that speculative hauling and all useless waste be eliminated.

This difficulty could be met by requiring commodities to find a market where they are wanted for ocnsumption before starting in transit. This would be more practical and would appeal stronger to a sense of reason than the present scramble system of starting commodities in transit to be dragged to every point of the compass with no thought of their ultimate destination.

Our present freight system challenges reason just as the postal system would if all mail were permitted to be sent to four or five different addresses before being delivered to the person for whom intended. The postal service would completely collapse under such arrangement. It would be very easy for producers to retain possession of their goods until wanted for consumption. This would deflate the freight traffic and open the rail lines for the expeditious passage of legitimate business.

By removing the car lot rates and placing small business and individuals on an equality with the large concerns, would re-establish the small mills and factories and obviate the necessity of shipping raw materials to far away concerns and shipping their finished products back to the place of origin. Rich and poor, great and small, should have the same freight rate. If a dealer can buy only 100 pounds of merchandise he should have the same freight rate per 100 pounds as the

richer competitor who is able to buy in car lots.

These regulations would remove freight congestion,l argely deflate present tonnage and bring a saving to the public amounting to a large per cent of the present expenses.

These evils, which have produced the inflated tonnage and charges, are also responsible for the increase of the average haul from 128 miles to 169, or 32 per cent. This increase of 32 per cent in the length of the haul represents more than $800,000,000 of the charges collected annually.

With the re-establishment of the small mills and factories the farmers will take their grain to the local mills, the fruits and vegetables will go to a neighborhood cannery, live stock will be packed in the vicinity and other raw materials will largely find local concerns to work them into finished commodities, and the railroads will not be taxed beyond their capacity to handle the business offered.

The congeston of the nation's population, with all of its evil consequences, into a few large concentration and manufacturing cities would cease, and the rural communities would draw heavily upon them and thereby remove the danger to national security resulting from an overcrowded population.

THE RAILWAYS AND THE PUBLIC

The railroad officials present two reasons in behalf of their contention. First, they claim that

a private ownership can give better and more expeditious service, and, second, that the government has been operating the railways at a loss.

The first contention is not well founded. The railroad systems are so extensive and include so much detail work that the head official can give only a general supervision to their management.

It is not like a business where one individual can supervise every detail of the whole concern.

Since the head of the organzation can give only general supervision his orders would not be weakened nor less effective if given as a part of the government than if given as a private head of a system.

These officials also forget that more freight can be handled and moved more expeditiously when all roads are in one system and under government control, so that freight may be sent over the shortest line, and thereby avoid congested areas.

The facts are, these roads broke down in handling business during the war. They admitted their inability to meet the demands, and were anxious to unload their roads on the government. The government took control in order to save the business of the country from a disastrous collapse.

The result is well known. The government control gave an immediate improvement in service and, with largely increased tonnage, and the nation torn with war conditions, the transportation service supported business, handled war sup-

plies and soldiers, and supplied to the consumers more than their ordinary demands. The government control was not a voluntary venture; it was a forced trial—a last resort to save the day against a complete collapse in the transportation service.

This control was retained by the ogvernment, during the war, because it proved more expeditious and efficacious than private control. So on the question of efficiency and expedition, it is no longer a controversial queston—the actual government operaton demonstrated the superiority of government control.

GOVERNMENT LOSS

The second contention, that the government operated the roads at a loss will bear investigation. To prove the correctness of this statement the following statistics are given for class I roads for the year 1918:

Mileage operated	230,769
Revenue from operation	$4,842,695,884
Expenses of operation	3,939,315,122
Net operating revenue	903,380,762
Operating ratio	81.35%
Net Federal income after taxes and rent	688,200,083
Standard return, Government guarantee	890,335,685
Deficiency	212,135,602

That the people of the United States pay the freight is beyond question. That they pay the government expenses is equally as well established. The receipts from the railroads, in 1918, fell $212,135,602 short of paying the transportation expense bill, and an $890,000,000 dividend to the stockholders. The people are, therefore, informed that they must "go down in their pockets and dig up this $212,135,602 in the form of government taxes and apply it to the payment of this shortage."

:Since the people, as consumers, pay all freight expenses and government taxes, it follows that to get the total railroad expenses, which the American people paid in 1918, the $4,842,695,884 paid to the railroads and the $212,135,602 paid to the government should be combined to get the aggregate railroads' expenses for the year. This gives $5,054,831,486 as the total cost for the year.

Now if the railroads had to have that amount of money for the year's services, was it any more burdensome on the consumers to pay the $212,-135,602 to the government than it would have been to have it added to the freight bill and paid it to the railroads in the first instance? The government has lost nothing. It collected from the people the shortage of $212,135,602. This fully reimbursed the national treasury for the money which it advanced to the roads.

The public has lost nothing. It has simply paid the expenses of supporting the transporta-

tion system. The fact that the bill was paid in two blocks, one of $4,842,659,884 paid to the system, and one of $212,135,602 paid to the government does not increase the hardship, nor brand the payment as a governmental loss.

Another proof that the public did not lose through government operations is presented by the railroad officials asking for an increased income of $1,700,000,000 per annum.

This added income will enable them to collect from the public as consumers $7,154,831,486 per year. This is $71 per capita, and $355 per family. This added expense carries an increased family burden of $85 per year, and by the time it reaches the consumers it will be at least trebled, thereby increasing the cost of living $235 per family in the matter of transportation alone, and this at a time when the demand is for a reduction in living expenses.

There are some things the railroad officials overlook. They show how much the freight is per ton. They do not state how many times that ton of freight was hauled. They do not give any idea how much freight charges that ton carries to the consumer for payment. The consumers are estimated to pay in excess of $68,000,000,000 for one year's supply. Now then, there are some methods of figuring that are intelligible. Taking $65,000,000,000 as the amount spent by the American consumers, and $7,000,000,000 as the amount paid to support the railroads, it becomes apparent

that more than 10 per cent of the total cost price of the commodities goes to the railroads. On the basis of $119 per ton value, the consumer pays the railroads $11.90 per ton. Estimating 16 tons to the carload the consumers are paying the railroads at the rate of $180.50 for every carload of freight used. These are figures that do not require an expert statistician to understand the meaning.

There is another item of increased cost, that is not mentioned by the railroad statistician. The value placed upon the freight hauled is increased by $7,000,000,000—the amount of charges collected for hauling. A ton of freight valued at $119 when accepted by the railroads has increased to $130.90 when released to the consignee—$11.90 freight charges having been added. That ton of commodities will pass through the hands of several brokers, commission men, wholesalers, jobbers, retail merchants and speculators before reaching the consumers. These middlemen will at least treble the price of the commodities before they reach the consumers. The freight charges which are included in the price of the commodities will take the same rate of increase as the other items included in the commodity value.

Thus the $11.90 paid to the railroads for hauling a ton of freight is increased to $35.70 when the commodities carrying that charge reach the consumers. And the $7,000,000,000 paid to the railroads for the annual expenses becomes near

$25,000,000,000 when the bills are paid by the consumers. This $25,000,000,000 then is the amount the transportation system is estimated to cost the public per annum—an amount equal to $1,000 per famly or $82 per month.

WHAT GOVERNMENT OWNERSHIP WOULD SAVE

By placing the railroads under unlimited government control the following items, based on 1918 expense bill, could be saved to the public:

Interest	$ 434,484,998
Rentals	128,453,777
Taxes	202,119,000
Standard return on stock	890,335,685
Total	$1,655,393,360

This would enable a reduction to be made in freight charges instead of the $1,700,000,000 increase granted as a reward for private ownership. In other words, the difference between the price the public should pay and the amount the roads are getting is approximately $3,000,000,000.

CHAPTER VII

COMPARING PUBLIC AND PRIVATE EFFICIENCY

Comparison of expenses, incomes and efficiency under private and public control of the roads is very feasible at present. It may have been fortunate, as an educational program, that the railroads were taken over by the government and operated for a period of months. This demonstration of relative government and private efficiency and economy must be studied impartially and for the purpose of thoroughly understanding the benefits and detriments of the two system if the experiment is to be beneficial as a guide to the American public in the future disposition of the railroad question. Superficial figures and superficial thinking will not properly solve the problem. It requires an investigation of the results of the two systems from the standpoint of students rather than to confirm a partisan contention.

The Bureau of Railway News and Statistics in their publication, "RAILWAY STATISTICS OF THE UNITED STATES OF AMERICA" for the year ending December 31, 1918, makes the follow-

ing statement:

"The standard return guaranteed for the roads included in the Administration's statistics amounts to $890,335,685. If $20,000,000 be added to this as approximately the standard return due the minor companies under the federal control a total of $910,000,000 is reached, which is $212,000,000 more than all the railways earned in the year to June the 30, 1919.

"For the eighteen months of federal control to June 30, 1919, the net operating income of the railways was approximately $480,000,000 short of the standard return. The roads outside of the federal fold contribute little save deficits to finance the results of the railway operation."

This comparison shows the United States running $480,000,000 behind on eighteen months' operation of the railway system. If these systems had been under private control during the same time and the expenses and receipts had been the same as under government control, it would have shown a surplus of $885,000,000 which would have been available for distribution among the stockholders. In other words that $885,000,000 is surplus when operated under private ownership; it is expenses when operated by the government. This reversal of this item from one side of the account when under government control, to the other side when under private control is confusing to the superficial observers.

It would be far better, and more easily under-

stood, and much less confusing, to say that the government, during this eighteen months, made the railroads pay all expenses and had $885,000,000 to distribute among the stockholders as dividends. The government had promised to pay the stockholders $910,000,000 per annum for the use of the roads which amounted to $1,365,000,000 for the eighteen months ending June 30, 1919. The government thus lacked $480,000,000 taking in from the railroads operation, enough to meet all expenses and pay this amount due the stockholders.

These comparisons of private ownership under peace conditions and government ownership during war times and under stress of sacrificing economy for expedition, is not a fair comparison as a test of the relatives efficency of government operation, and yet with all the favorable conditions surrounding private ownership the comparison disparages private to the extent of showing it to be a failure from many standpoints.

From the Introductory to the RAILWAY STATISTICS OF THE UNITED STATES OF AMERICA FOR 1915-1916 I take the following excerpt:

"And they (the railroads) were called upon to furnish transportation facilities for everything that pertained to an export trade that increased nearly 160 per cent in two years, to say nothing of an import trade that increased 34 per cent in one year. How it was accomplished is one of the

marvels of this age of efficient organized management. The plant, barely maintained in a hand to mouth basis since 1907, was geared to the last notch to meet demands that leaped 18 per cent in a twelve-month. Under such conditions, like a weary giant, the carriers face the unknown demands of 1917. "The railroads officials here practically admit that they had reached the limits of their capacity during the year 1916, and they were entering upon the year 1917 with forebodings of inability to meet the contingencies that they saw were almost inevitable. Yet the worst had not occurred to them—the contingency that the United States would soon be a participant in the great conflict which was then overwhelming the railroads even when labor and other factors were operating in this country at normal." "They (the railroads) were geared to the last notch to meet the demands that leaped 18 per cent in a twelve-month." Even the railroad official's hearts grew faint when they contemplated any increased traffic which the ensuing year might bring them. The United States entered the war. The American business was scrambled to be organized on a war basis. Labor was also scrambled to meet the demands of war. The railroads, unable to meet the new condition, collapsed and the government, in order to save the day took control of the railroads and quickly brought stability out of chaos and inefficiency. The railroads "geared to the last notch" to handle 365,034,000,000 ton-miles in

1916, expeditiously, hauled 394,040,000,000 tons one mile in 1917, and went right along increasing this freight tonnage to 408,011,000,000 in 1918 and to 434,000,000,000 in 1919. This represents an increase of about 70,000,000,000 tons above the top notch under private ownership, or an increase of more than 20 per cent above the probabilities under private ownership.

I dare say no railroad official, or advocate of private ownership, will contend that private control could have improved upon the operation of the roads during that period beginning at the date the government took possession of the roads and the date it released them to the private management.

And if this largely increased tonnage netted the government no financial returns it met the demands of the public for transportation and of the government for service in moving supplies and soldiers incident to the needs of the war. And that was the purpose of the government, and to charge that the income did not meet the expense is not an issue. That is not a debatable question because the government did not operate them for that purpose. The question is, Did the government accomplish what it set out to do? If it did government control was a success. If it did not it was a failure in so far as it fell short of its intended goal. If the roads moved the products of the country better than private ownership could, and moved the soldiers and supplied to meet the

exigencies of war, then the public operation of the roads must be pronounced a success. Any other measure of success would be untenable. If the net income over expenses be taken as a criterion in making measurements the first six months under private operation, would condemn that policy as a failure for the government was called upon to pay the railroads more than $635,000,000 in order give the stockholders their dividends which private ownership was unable to give them.

The roads were given back to the private officials in a highly organized condition and at a very high degree of efficiency and yet they have been unable to make out of the business a dividend for the stockholders over and above the expenses, and they have even fallen $182,000,000 short of paying the ordinary expenses during the first six months under private operation. This is not said in derogation of the new management, but it is stated as an argument similar to the one they are advancing against public ownership. It is paying them back in kind.

The government has given the officials every advantage and opportunity to show the very best that is in them. And while they are standing complaining that the government operation was a financial failure they are at the same time taking from that very same government $635,000,000 for their own shortcomings.

RELATIVE EFFICIENCY

The government took over the railroads as of January 1, 1918. W. L. Barnes, executive manager of the American Railway Association Car Service Division in behalf of the private management makes the following comparison of results of operation under the two systems:

"We do not know by what yard stick Mr. McAddo arrives at his estimate, but presumably the accurate unit in measuring railroad operation is expressed in ton miles per car per day. The following statement as to ton miles per car per day is therefore of interest:

During 1917, under private ownership, operation average performance.....495
During 1918, under federal operation.....491
During 1919, under federal operation.....441
During first two months of 1920, under federal operation.....455
During March, 1920, under private operation..487
During April, 1920, under private operation...401
During May, 1920, under private operation....504
During June of 1920, under private operation..504
During July of 1920, under private operation..523

"It should in fairness be stated that the low figures of 1919 was due to the slump in the demand for transportation during the first six months of that year.

"The total cars of revenue freight loaded for the first two months of 1920 average 3,552,481 per month. The corresponding average for the suc-

ceeding seven months under private control was 3,755,145.

((Similarly the miles per car per day for 1917, 26.1, was in excess of corresponding figures under federal control, which were 24.9 and 23.1 respectively, while under private control following the switchman's strike in April, the figures have shown a consistent increase, being: May, 24.2; June, 25; July 26.1.

"All of the above would not in any way substantiate Mr. McAdoo's deduction as to a 15 per cent increase in the freight carrying ability of the cars under single direction."

The statement made by former Director General of Railways and Secretary of the Treasury, William J. McAdoo embodied this concise conclusion and comparison:

"Use of all cars on all lines under single direction under federal control had increased the freight carrying capacity of the cars by 15 per cent, producing the equivalent of 300,000 new cars without the cost of a penny."

This statement is challenged by the railroad officials as incorrect. To get the exact facts the figures might as well be given.

The number of tons carried one mile during the last year of private operation, 1917, was 394,-434,000,000, in 1918, under government control it rose to 408,011,000,000 while in 1919 it reached 434,000,000,000. This shows an increase of about 40,000,000,000 tons in two years under government direction.

WHAT IS EFFICIENCY?

This controversy may more easily be settled if there is first adopted a measure for determining the question as to what constitutes efficiency. What the railroad managers considers efficiency the public may deem the acme of inefficiency. The railroads officials cling to the idea that the distance that freight move per day is the proper measure for success or failure of the system.

They say: "At the end of federal control the number of miles per car per day was 22.4, and the average tonnage of each car was 28.3. On September 1, the average number of miles per car per day was 27.4 and the average of each car was 29.6 tons. Translated by experts into terms of efficiency, the gain in car movement alone was 22¾ per cent and this was topped by a gain of more than 7 per cent in capacity loading." In the same issue of the New York Times which carried this quoted statement from the committee reporting to the railroad officials was this item of news from Topeka, Kansas, dated November 9, 1920: "A reported overloading of the Kansas Banks as a result of car shortage and the withholding from the market of grain by the farmers was discussed by the Executive Committee of Kansas Bankers' Association here today. 'Although Kansas banks are more heavily loaded than ever before, the situation is temporary and undoubtedly will be relieved with the improvement in the wheat market,' said Walter Wilson

Commissioner of Banking."

There was one statement that the railroads are up to a high degree of moving efficiency; there is a counter statement that they are not moving the wheat for the farmers and that the accumulation of wheat is such that the banks of the greatest wheat state are over burdened carrying the farmers until they can get the necessary cars to move the wheat crop.

Mr. McAdoo stated that under government operation there had been an actual surplus of cars in the crop moving season of 1918, and a surplus in 1919, except during the coal strike, in contrast with a shortage place at 142,349 on September 1, 1920. To this charge Mr. Barnes above quoted offers the following explanation: "The railroads were taken over as of January 1, 1918, during the war period, when under the existing emergency the entire transportation facilities of the country were devoted to war purposes. It is recalled that the commercial interests not essential to the war were being curtailed by the various agencies of the government, necessities for the transportation thereby correspondingly reduced. This reduction provided ample transportation for war purposes, and it was further possible to set to one side in the grain producing territory a reserve supply of box cars in anticipation of the heavy initial movement at the time of harvest. This reserve supply of from 40,000 to 50,000 cars was exhuasted shortly after the time of harvest,

and after the initial movement there was no available surplus. It is not entirely proper to credit this as a surplus in comparison with former years, as the practice merely followed the custom of roads under private operation when they individually set their estimated initial requirements according to crop conditions.

"Following the Armistice in November demands for transportation rapidly declined, so that in the following March (1918) there was a peak period surplus of between 400,000 and 500,000 cars. This again made it possible for the railroads in the spring and early summer of 1919 to store in the crop producing territory box cars to the extent necessary to care for the initial movement and approximately 50,000 were thus set to one side."

Here is an admission that under governmental operation the traffic requirements of the country were met with a surplus of cars left over and made available for handling the crops as they matured and were harvested and prepared ready for market. This surplus cars ran from 40,000 to 50,000 cars in 1918 to something like 500,000 in 1919. This in a large measure confirms Mr. McAdoo's statement of increased efficiency under government operation. For if with this large number of cars idle the unified management was able to increase the freight tonnage by more than 40,000,000,000 tons miles; the question may well be asked, How much would the increase have been if the

demands of the service had kept the cars all busy during the government control, as it has since the system has been returned to the control of the private corporations?

Another conclusion may very well be suggested at this point. The surplus cars indicate efficient management. It demonstrates that there is not the car shortage that the railways have been claiming but that the shortage is in the efficiency of the management under private direction. If properly managed this surplus might at all times be available when needed. Instead of this surplus under private operation, at the expiration of the first six months, the system finds orders on file for 142,349 more cars than it can fill.

Right here lies, in this mist of figures and statistics the crux of these two contending theories of railroad operation. So an analysis of these figures may help to arrive at a proper conclusion.

CAR MILE EXPLAINED

The railroad officials claim that in 1917 under private operation the miles per car per day was 26.1 while it was only 24.9 in 1918 and 23.1 in 1919 under government control. This they contend is proof that private management is more efficient because it is able to move the freight more expeditiously—moving the cars between two and three miles per day further than the government did. This may mean more than appears on the surface. There are several things to be con-

sidered in this distance the car of freight moves per day.

This is not the distance the freight cars move per day. It is the distance the loaded cars move per day. If the railroad company has orders for 150,000 freight cars for the shipment of grain from the farm to markets and there is no demand for the shipment of any commodities to the points where this grain is located, the cars would have to be sent there empty and that distance traveled to get the grain crops would not be estimated in the ton-mileage per day. When they are loaded and return to market ton-mileage becomes available for computation. So in making that trip the ton mileage per car per day will be only about one-half as much, by going one way empty and the other way loaded, as it would be if loaded going and coming. If it is loaded both ways the freight tonnage will about double the tonnage when loaded one way only.

It is clear then that if cars can be loaded going both ways they will make just twice as good record for efficiency according to the unit of measure adopted by the railway officials. If the distance to be traveled is 200 miles and it requires eight days to go and eight to come the time required to move that car of freight runs up to 16 days which cuts the average distanced traveled by that freight per day to only 12½ miles. This makes a very bad showing because one-half of the time was killed in hauling the empty car to

the place where it was to be loaded. If it had been loaded going as well as coming it is apparent that its ton miles per day would have been doubled and the daily move would have been 25 car mile per day and the showing to the railroad officials would not have looked so bad. At the same time these farmers have in these orders for 150,000 cars to move their crops the speculators, whom the railroad officials call shippers, have in orders for 150,000 cars to ship their wheat which they have stored in the warehouses, to the milling centers. These milling centers have in orders for 150,000 cars to ship flour back to these localities from which the speculators intend to ship the wheat. If the railroads have the 150,000 cars available the speculators will get them in preference to the farmers. If the speculators get the cars the remuneration will be twice as much as if they had been sent to the farmers. They would yield a profit both ways instead of one, as is the case with cars supplied to the farmers. It is no guess work here, under the supposed condition, to say the speculators would get the cars if private corporations control the system. Private corporations are working for profit and by turning the cars to the speculators gives the system double the incomes that would result if distributed to the farmers. It makes a better showing when making public the number of tons of freight moved per mile per day. The number of tons of produce not hauled, and which is going to waste

and impoverishing the producers, is not listed in the railroad statistics put out by these officials. What the railroads have made is one thing; what the producers and the consumers have lost is quite another. Which then is the efficient railway service; the one that always has plenty of cars to save the products of the country, or the one that turns the cars to the speculators and lets the farm products rot at the point of production?

This interest of the railroads in supplying the speculators first in preference to the producers accounts in a large measure for the increased haul per car per day and the fact that they were short more than 142,000 cars after they had been operating for six months. If the producers had been supplied as many cars as needed they would have placed shipments ahead of the speculative shipments, and thus cut out that amount of the demand for cars to take care of the speculative trade. By supplying the cars to the speculators it enables these middle men to unload their supplies to the market ahead of the producers. It also enabled them to keep these supplies going on the market and the trade goes to them to do the buying. This compels the producers to sell to the speculators. The railroads endeavor to build up this very condition for it gives them double, trebble, quadruple and quintuple hauling with corresponding increases in incomes. Thus the speculators are necessarily given precedence over produc-

tive legitimate business under the private operation of railroads because that is the system that develops the profits for the rail corporations.

When the government had control the primary concern of the Director General of the roads was to carry on the war and save the products of the country as fast as they matured. He thus scattered the box cars among the farmers and producers and enabled them to ship their products to the markets. This process killed much of the speculative shipping and enabled the government to handle the business on less than the full capacity of the railway facilities. So, as to whether there shall be a shortage or surplus of cars depends on whether the producers or speculators gets the first consideration in the car distribution.

Another item contributing to the increased distance traveled per car per day under private ownership is the circuitous shipments made over the line on which the shipment originated rather than over some other and a direct line as was the custom followed by the government. A railroad on which a shipment originated will give it a long haul in order to get the entire receipts from the shipment rather than release it to some other line that will give it a more expeditious and shorter passage. This is shown by the 43,009,150,000 passengers carried in 1918, under government operation against 39,739,682,000 under private operation in 1917, while the passenger trains which carried these passengers traveled 3,-

251,368,000 miles in 1918 under government operation, and 3,403,072,000 miles under private in 1917.

The unified government control carried 408,-011,453,000 tons of freight one mile in 1918, against 394,040,446,000 tons in 1917 under private operation; and the freight car mileage in 1918 was 22,682,234,000 against 23,064,770,000 miles in 1917. This shows that the government moved more freight and passengers in 1918 with less train and car mileage than the private ownership accomplished with much less business. To be exact the number of passengers carried in 1918 by the government exceeded the number carried in 1917, by the private corporations, by 3,269,468,-000, and this increased number was handled with a car mileage of 151,704,000, less than was the mileage the previous year under private control.

In 1918 the unified system moved a ton mileage of 13,971,007,000 in excess of the movement the previous year and accomplished this increased tonnage movement with a decreased car mileage of 382,536,000.

The locomotive mileage in 1917 was 1,779,538,-100 and in 1918 it was reduced to 1,730,000,000, thus a saving in the miles traveled by the locomotives of 48,619,000 in the one year. This saving is accounted for as previously stated, by the fact that the government sent trains and cars over the more direct routes when practical.

Saving this large mileage in the distance trav-

eled in distributing the products of the country and placing ample cars at the disposal of the producers took a great many cars out of necessary service and enabled the railroad Administration to move the freight with less than the maximum of cars available.

This test and experiment was forced upon the government at the most trying time in the history of the country, and if the result had ended in failure it would not have been a strong argument against public ownership. But making a better showing under such adverse conditions than the private operation made during peace times when everything was moving at normal, is one of the conclusive forebodings of ultimate government ownership.

No question the government service was not up to what it should have been. The government was operating under the system as established by the private corporation, and it had no opportunity to re-vamp the entire system and adjust it to the greatest efficiency capable under the unified control. A few minor improvements in the service were made but the system in vogue at the inception of government control was retained in the main throughout the test period. No radical innovations were attempted. No conjecture could be made as to how long the existing conditions were to prevail, necessitating a continuance of government operation. The systems as taken were retained, as far as possible, in the same oper-

ating condition as when the government intervened and deprived the private concerns of the possession of the properties.

If the government had felt at liberty to scrap the entire system functioning at the time of intervention, doubtless a far better and much more economical structure for operating the roads could have been erected. The greatest efficiency of public operation cannot be reached under the operating machinery of the private concerns. With the public ownership must go the operating machinery and the policies of administration that will bring to the system a maximum of efficiency and economy and otherwise justify the change from private to public institutions.

The national Democratic platform adopted by that party in July, 1920, has the following approval of government control of the railroads:

"The railroads were subjected to federal control as a war measure without any other idea than the swift transportation of troops, munitions and supplies. When human life and national hopes were at stake profits could not be considered, and were not. Federal operation, however, was marked by an intelligence and an efficiency that minimized loss and resulted in many and marked reforms. The equipment taken over was not only grossly inadequate but shamefully outgrown. Unification practices overcame these initial handicaps and provided additions, betterments and improvements. Economies enabled operation without the

rate raises that private control would have found necessary, and labor was treated with an exact justice that secured the enthusiastic operation that victory demanded. The fundamental purpose of federal control was achieved fully and splendidly, and at far less cost to the taxpayer than would have been the case under private operation. Investments in railroad properties were not only saved by the government operation, but government management returned these properties vastly improved in every physical and executive detail. A great task was greatly discharged."

RAILROADS HANDICAPING INDUSTRY

Reverting again to the question, What is the proper criterion for determining the efficiency of railroad operation, and what answer will impart the information sought? Is the most successful and efficient administration of the systems the one that moves the most freight the most times, and over the longest hauls, and thereby brings to the owners of the roads the largest dividends? Or is it the administration that moves the greatest amount of freight for an adequate consideration? Or still again, is it the administration that will save the products and get them on the market as soon as they are ready for consumption, and places them in the hands of the ultimate consumers at a minimal cost for transportation and at a price which will enable the consumers to buy in adequate quantities for the family and individ-

ual needs and comforts? The producers and consumers would be benefited in an affirmation of the last question; the middle men and speculators while they would probably be benefited by such affirmation would strenuously oppose it, because it would require a readjustment of their business arrangements.

The productive energy of the American people has reached its limits under the private ownership of railroads. This is a strong statement to make, but it is abundantly verified by current happenings. The potential business of this country cannot be handled expeditiously and economically over a multiplicity of railways. And further, private railway operation cannot be made remunerative without building up a very large speculative system upon which to feed. The roads cannot now, under private control handle both the speculative and legtimate traffic with expedition. The result is that the productive energies of the country are becoming discouraged and withdrawing from productive enterprises. The speculative system must necessarily have first consideration in the extension of private railway services. It requires at least three speculative hauls to two legitimate hauls to net the railways a profit over their present expense account and give a reasonable profit on the capital invested. The legitimate hauls must be held back to make place for the speculative business. It would be suicidal to the private railway systems to permit the producers to

get the necessary cars as wanted and thereby place their products on the market ahead of the speculators. By killing the speculative trade something like three-fifths of their business would be killed and the remaining legitimate business would not, at present freight rates pay the operating expenses, and the railways would face a very large annual deficit. So the private operation must feed the speculative systems in business in order to survive at all. The business system as now organized is beyond the present capacity of the railways under private management.

It is proposed to increase the rolling stock and other equipment of the roads so as to increase their capacity up to the present demands. This increase in equipment will carry a proportionate increase in cost of operation, which must be met with a corresponding increase in the receipts of the companies. With every increase in legitimate freight must go a corresponding increase in speculative freight in order to bring a corresponding increase in revenues. With the larger amount of freight coming on the market the speculators will probably be supplied before all the raw freight is moved from the place of production and consumption will necessarily be limited, not to demands and requirements, but rather to the amount the speculators can supply, and to the amount the consumers can afford to buy at the speculative prices.

Private ownership and speculation go hand in hand and the much condemned middle man can not be cut out of our business affairs without leaving the private railway skeleton hanging suspended so high that the receipts cannot reach it and give it the necessary support. To support the present speculation in business in order to furnish the necessary revenue to privately operated railroads, places upon the consumers two very expensive burdens, both of which are useless.

CHAPTER VIII
DETERMINING THE MEASURE OF EFFICIENCY
PUBLIC OWNERSHIP AND EFFICIENCY

It was shown in the previous chapter that ton-mileage of freight in 1918, under government operation was in excess of the amount handled the previous year, 1917, under private control, by 13,971,007,000 ton miles, and that the government moved this largely increased amount of freight tonnage by reducing the distance the cars traveled in effecting this movement, 382,536,000 miles below the distance the cars traveled the previous year in moving the much smaller amount. It was also shown that the locomotives traveled 48,619,000 miles less in 1918 to move this increased freight than they traveled the previous year to move the 13,971,007,000 tons less than was moved during the year 1918. It was also further shown that the average distance a car traveled in 1917 per day was 26.1 miles, while in 1918 it was only 24.9 and in 1918 it had dropped still lower to 23.1 miles per day.

The railroad officals present these figures to

prove the superiority of private control and operation. If the government moved more tons of freight with fewer cars in actual service and cut the mileage which these cars traveled by more than 382,000,000 miles, the distance traveled per day would necessarily be lessened. This instead of showing private operative efficiency shows exactly the reverse.

If one man is put in charge of a railway system that has 1,000 cars in service, and he loads every car with 25 tons of freight and runs at a high rate of speed, traveling on an average 30 miles daily, the 1,000 cars will make a total mileage during the 100 days of 3,000,000, being an average of 30,000 miles daily. The cars make an average of two hauls during the 100 days, giving them a total of 50,000 tons hauled during the period. And the manager is applauded for the achievement.

Another man takes hold of the system as manager. He has the same number of cars, and gives them the same size loads, namely, 25 tons. He figures out the shortest cuts between the points of origin and the points of destination of each car. He sends the trains over the most direct roads and thereby eliminates all useless hauls. He reduces the distance just half and he moves his trains just as fast as the prior manager did. So he soon finds that he has not sufficient business on the system to keep the cars moving all the time. One-half of his cars and locomotives will be idle

all the time or all of them will be idle half of the time. At the end of the 100 days he has moved the same amount of freight as was moved in the previous period, namely, 50,000 tons. But where his bad showing comes in, according to the railroad officials, is in the distance he moved the cars. He moved them only 1,500,000 miles, while under the prevous manager they were shoved over a distance of 3,000,000 miles. The manager during the latter moved his cars only 15 miles per day as compared with a movement of 30 miles per day under his predecessor. The first was running at a high tension, covering a distance of 30 miles daily with each train; every car and every train loaded to the limits, full capacity, and wholly unable to accept any more freight for shipment. The whole system taxed to full capacity and moving along under favorable circumstances.

No. 2, on the other hand, handles the business in an easy, idle sort of way. Half of his cars standing idle, and half of his engines standing under shelter and everything seems to be listless. At the end of the 100 days' test his 100 cars have made an average movement of 15 miles each, as against that of 30 miles for his predecessor. A bad showing, says the railroad magnates. But notice, he has moved the same amount of freight as his predecessor. This he did by always sending the freight over the shortest line between the place of origin and the destination. By adopting this system he has not been crowded, his business

has moved along easily, and he has had at all times sufficient cars and equipment to have handled twice the business had it developed. Which of these two managements represents efficiency? No, 1 is private operation; No. 2 is operation by the government. This raises the question again as to what is efficiency in railroad operation. Is the management that brings in the greatest revenue? Or the one that gives the best service to the public?

More than 103,000,000 of the population of the United States are interested more in the railroad problem as producers and consumers than they are in the dividends available for the stockholders; and less than 2,000,000 are interested more in the profits the systems pay than they are in the service to the producers and consumers. The producers and consumers measure the efficiency of the service as a maximum quantity movement up to the limits of production and at a minimum price for delivery.

When the railroad officials took control of the railway systems March 1, 1920, they found system No. 2 functioning. Under it the management was attempting to save the products as fast as ready for market. It tried to save the farm crop from going to waste because of inadequate transportation facilities, and, as Mr. McAdoo states, the cars were distributed among the producers to handle the rush which usually exists in the initial movements of crops. When a crop was

known to be maturing the railroad administration distributed sufficient cars to meet the apparent emergency. This crop moved to the markets, the cars were available for the movement of the next crop, and if no crop was pressing for shipment they could be utilized for transporting the commodities that were already on the market from one speculator to another. By giving expeditious shipment to the raw products and rushing them on the market quickly many of them went into the hands of the manufacturers and consumers without passing through the hands of the usual number of speculators. This must necessarily have killed many of the purely speculative shipments and saved largely more of the products of the farm than would have been possible under the system employed by the private management. It was very easy to change from the private system to the government system, for it delivered more freight from the farms on the market, but it killed more speculative traffic; then it increased legitimate shipping and therefore developed an easy car situation. This, it must be admitted, was done at a loss to the speculative interest, but at a gain to the producers who were seeing their farm products rot in the field when the private rail management broke down in 1917. Car congestion was appalling. The government wanted cars for war purposes; the speculators would not let loose of their hold on the car service and a shortage of the necessities of life was imminent

because the farmers were denied adequate transportation facilities by these railway managers.

With this pall hanging over the American people and American business the government, as a last resort to prevent a complete collapse of the commercial, business, financial, industrial, and even governmental fabrics, took possession of the railroads on January 1, 1918. The unified control supplied the war requirements saved the farmers' crops to feed the soldiers and meet the needs of the consuming public, and supplied the speculative interest to a reasonable degree.

When the government returned the roads to the private control on March 1, 1920, it had them more economically systematized than they were under private control. The roads were then handling the legitimate business to marked degree of satisfaction to the producers and consumers and with very little complaint from the speculators. The country was reasonably free from freight congestion and the system was running so satisfactory that the railway officials thought they could take the system over and make large improvements in both the service and the amount of revenues received by the system.

CHAPTER IX

FREE DELIVERY OF AMERICAN PRODUCTIONS

It has been shown that under the present system of private operation of the railroads the American people are badly handicapped. In the first place the operating expenses, chargeable directly against the public, amount to more than $6,000,000,000 annually. This is a tax which the government levies, or permits the railroads to levy, against the products and merchandise of the United States, and that amount so levied and collected by the railroads is no less a tax than if the government individually levied it against the property of the country and enforced collection in the ordinary way, and then paid the collected taxes to the railroads as compensation for the services rendered. What is the difference whether the government levies a tax against the property through congressional legislation and thus compensates the railways for delivering the products of the country to the people who want and need them; or, whether it appoints a taxing agency, called the Interstate Commerce Commis-

sion, whose duty it is made to levy a tax against the products which seek transportation and compel payment of that tax before such products can be used by those who want or need them? The first is a flexible tax that may be delayed for a few days or weeks during stress of hard times or sickness, or lack of employment, or shortage of funds to meet family needs. The latter is an inflexible requirement that stands between the consumers and the articles upon which this tax is levied. It stands between the individual and clothing, fuel, and even food. That tax in many instances is so high that it increases the price of the necessities and comforts of life to the point where they cannot be used by the majority of the population, and thus more than half of the citizens of the United States are mental or physical defectives. More than 200,000 children die of starvation annually in this country, and a condition of "Scientific Famine" is fastening disease upon the people. Why are these people suffering for proper food and clothing on the one hand when there are other people who are over-burdened with these very necessities and can find no way to unburden themselves and exchange them for things more serviceable to them? The cause is not difficult to find. It is the impenetrable wall —that railroad tax—that stands between an abundance on one side and starvation on the other. These railroad tariffs, or taxes, are consumption taxes; that is, taxes levied upon the

consumption of the people, and it is paid according to the amount of the products consumed. The poor man with a large family pays more of the tax than the rich man with a small family, provided the poor man is able to buy up to his family requirements. The distribution of this tax is not very different from one the government would levy and collect as it does other so-called taxes. Nor would there be a material difference as to the ones upon whom the burden would fall. It would be distributed generally among the people, not according to their faculties, but rather according to the amount of products which they purchase, since most taxes are now added into the cost of the commodities and passed to the consumers for payment. So this railroad tax is paid according to the amount of products consumed, and the consumption of the people is limited to the ability of the consumers to pay the original productive cost with this tax added. Such a tax is paralleled by a tax in some countries on the number of windows in the residence. The window tax shuts out light and develops disease among those who cannot afford to pay for the light necessary for health and comfort.

The consumption tax levied by the railroads is no less abominable than the window tax. It, too, breeds disease among those who must go hungry because unable to pay the price of necessities to which this tax attaches. And there is no commodity shipped which does not carry this increased

price to the consumers for payment.

This $6,000,000,000, which the railroads are collecting from the public as a tax on consumption, is one of the primal elements entering into the price of all commodities going upon the market, and is, therefore, a basis for speculation and profit building. This one primal element that looks so inoffensive and harmless to the railroad officials will increase the price of American products fully $20,000,000,000 by the time they reach the ultimate consumers. This $20,000,000,000 is then the direct tax which the people are paying annually for the support of the railway systems. Such a tax levied directly by the government would meet with unanimous condemnation and would likely be repudiated by the tax-payers. It will thus be observed that the public is paying, in the increased cost of the commodities used, a sum equal to the total value of the entire railway system of the country. The consumers are paying for the railway system every year, but it remains under the control of the private management ready to repeat this $20,000,000,000 levy against the people every succeeding year, and all persons who cannot afford to pay this tax must refrain from eating, wearing, or using, in any way, the articles upon which this tax is levied; and those articles and products which cannot be marketed at a price sufficient to cover this tax must rust or rot in the hands of the producers and the country's productions are destroyed to the extent

that the tax prevents their sale.

If the public were asked to buy the railway system and pay for it a consideration of $20,000,000,000 the financiers and railroad executives would present figures showing the inability of the people to pay such stupenduous sum: this in the face of the fact that the railroads are forcing the payment of this equivalent amount and calling it "infinitesimal," "negligible," "not felt by the people."

WHAT THE SYSTEM IS COSTING

The Association of Railway Executives is furnishing the public with an itemized statement of the expenses of the railway system for the year 1920. These figures are very concise and perfectly intelligible. They are as follows:

Labor	$3,698,215,351
Fuel	672,891,964
Loss and damage, injuries to person and insurance	188,589,459
Taxes	278,868,668
Material, supplies and miscellaneous	1,064,994,880
Depreciation and retirements	145,282,339
Hire of equipment and joint facility rents	60,751,014
Return on investment	61,928,626

The total receipts and expenses as given out by the railway executives are as follows:

Gross revenues	$6,171,493,301

Operating expenses, taxes and rents	6,109,566,475
This leaves as profit on investment	61,928,626

This is only one-third of one per cent on the book investment which is placed by the railway officials at $20,000,000,000.

On this book investment the railway officials asked for a tax lexy sufficient to assure them a six per cent profit on this valuation of the rail system. To secure this amount of income they would, therefore, have to receive a total income of $1,200,000,000 above expenses. In order to have received that income on their invesement, in 1920, their gross receipts must have been as follows:

Gross expenses	$6,109,564,675
6% return on $20,000,000,000 book investment	1,200,000,000
Total receipts necessary to produce this amount	7,309,563,675

To have produced the desired profit to the railway interest would have required a twenty per cent increase in transportation rates over the rates that really obtained during the year. And there must have co-existed an equal amount of service. For if the rate should have been increased twenty per cent, and the amount of business had thereby been reduced an equal, or greater per cent there would have been no increase in income, but simply a destruction of that per cent of American productions, which were sorely needed by the consuming public. It is the story of the

mouse in the well. If it jumps up two feet during the day and falls back three feet at night it will never reach the top. If the railway officials increase rates by a certain per cent and thereby reduce business by a greater per cent they will never be able to show their investors the desired 6 per cent profit.

The six per cent income cannot be obtained through increased rates. This has been demonstrated. Senator Cummings in his opening statement as chairman of the committee on Interstate Commerce stated: "If we cannot increase the revenues, and I think we have reached our limit in that respect for the same volume of business, it is apparent that expenses must be reduced in some way or other if the railroads of the country are to be successful in their operaton."

It is now obvious that the government promise to raise the taxes on transported commodities so as to yield the railway investors six per cent profit is a futile provision. The people cannot be starved into paying these increased taxes when they have not the money to meet the increased prices which the added tax produces. Since it is now evident that the increased taxes is followed by a decreased volume of merchandise and commodities upon which the increased tax may be levied the plan now is to decrease the cost of operating the railroads until the expenses will be $1,200,000,000 less than the income. This plan is adopted rather than lower the rates so as to

greatly increase the volume of commodities upon which this tax may be collected and thereby deluge the roads with more business than they can handle.

The railroads are not asking for a decrease in operating expenses with a view to extending that benefit to the public. It is purely a mercenary move on the part of the railways to secure that six per cent profit, or something approaching it. The controversy between the roads and the employees and other beneficiaries of the operating expenses of the roads, has not for its purpose the extension of any benefits to the public.

With this condition staring the public in the face, what encouragement do the producers and consumers get? The railroads are not seeking to reduce rates in order to enable the producers to ship products going to waste because they cannot now find a market at the price which the high taxes forces the consumers to pay.

Nor do the consumers find encouragement in anticipating cheaper commodities and better living conditions as a result of freight reductions. The government promised the railroads a raise in taxes sufficient to net the railway interest the six per cent profit. In pursuance of this promise the raise was made in rates, in August, 1920, but the mouse went back and no profit resulted. The reductions which the roads are now asking in wages, as well as other proposed reduction in expenses, has in view the securing of the six per

cent profit, amounting in the aggregate to $1,200,000,000. Ths amount must largely be taken out of the pockets of the employees since that is the only place where any material reduction can be made. But it must be remembered that the public will get little benefits from the proposed reductions in expenses. The rates will not be materially reduced, nor the service improved by the curtailment of the expense bill. The employees will not give any better service under the lower than they did under the higher wages. The hope held out by the railroads that rates may be substantially reduced is a false one for that is not a probability.

Private ownership proved its inability to handle the business during the year 1920. From the time the private owners assumed control of the roads, the first of March of that year, until the increase in rates, the 26th of August, they were offered business far beyond their capacity to handle. There were orders at all times for more than 100,000 cars in excess of their supply. And on the very day the increased rates became effective there were orders in for 142,000 more cars than the system could supply.

The raise in rates was asked by the railroad officials incidentally, if not primarily, for the purpose of killing business down to where they could handle it. Of course, with an increase in rates would come a decrease in business, but the decrease was greater than the officials expected and

it left them with hundreds of thousands of empty cars for which there is no demand.

The following table shows the volume of business done during the five years mentioned:

Year	Tons Carried	Net Ton Miles
1916	2,426,557,938	396,365,917,082
1917	2,518,132,432	430,319,014,636
1918	2,540,853,840	440,001,713,665
1919	2,254,561,696	395,679,151,729
1920	2,499,312,672	449,292,355,000

The magnitude of the business of 1916 and 1917 swamped the railroads and they broke down under this large business. This failure of the roads to handle the business expeditiously forced the government to take control, and it immediately improved the service and properly handled the business. It will be observed from the table above given that the government handled more tons of freight in 1918 than the privately operated systems did in 1920 when they were deluged with orders for cars which they could not supply, and the government moved this larger volume of business on fewer ton miles travel.

This high volume of business began to decrease soon after the high rates became effective. The first three months of 1921 showed a decrease of 23.1 per cent in the volume of business done as compared with the first three months of 1920. If this decrease is maintained throughout the year it will produce a reduction of almost one-fourth in the volume of business done by the railways. This

means that approximately 600,000,000 tons of freight will not be moved because the expense would consume the selling price. This 600,000,000 tons of unmoved freight if worth $10 per ton at point of origin, means a loss of $6,000,000,000 to the ones who cannot market it under the present high rates and if worth $100 per ton on the markets in the consuming centers means a loss of $60,000,000,000 to the business of the country. This loss may be added to the cost of the present high rates, and it gives some idea what private ownership and increased rates are costing the people.

How the railroads have forced business to take this stupendous loss is forcibly told by the National City Bank of New York in its November, 1921, review of business conditions. The review says:

"The railroad problem at this time dominates the entire business situation. The burden of increased freight charges upon all kinds of industry, the plight of railroad finances, the efforts of railroad managers to reduce operating expenses, the impending railroad strike, the test of the efficacy of the new Railroad Labor Board as an agency of conciliation, and the demand in some quarters for the repeal of the Esch-Cummins law, are the outstanding features of the day, and present questions of the utmost importance.

FREIGHT RATES AND THE FARMERS.

"Deere & Co., of Moline, Ill., one of the oldest and most reputable concerns manufacturing agricultural implements, have sent us copies of a letter received by them from a farmer living in the neighborhood of Culbertson, Neb., and of their reply thereto, which set out graphically present relations between the prices of farm products, prices of manufactured goods and transportation charges, and the effect of these abnormal relations upon business.

"We have not the space to give the letters in full, but the following extract from the farmer's letter gives the gist of it. He says:

" 'I need a wagon and my dealer wants the price of 650 bushels of corn, the same wagon I could buy with 200 bushels of corn before the war. The harness man wants the price of a wagon load of hides for a No. 1 harness. I simply cannot see my way clear to buy wagon, harness or anything else that I can possibly manage to get along without.'

"Deere & Company make a lengthy and detailed reply, in which they first tell of the rise in the price of wagon stock in recent years due to the depletion of our forests, a factor of great general interest, but for which no immediate remedy is possible. They then go into the effect of increased freight charges, as follows:

" 'Our present price, f. o. b. Moline, on a farm wagon, is 100 per cent higher than our price of

1914. At this price we are selling this wagon at approximately 20 per cent less than our cost. The cost to you at Culbertson, Neb., however, does not bear the same relation to the pre-war price, for the reason that in 1914 the freight on a farm wagon from Moline to Culbertson was $1.37 a cwt.; the present rate, including the war tax, is $2.32.

" 'A farm wagon weighs 1,200 pounds. The difference in freight of 95c per cwt. makes the transportation on this wagon alone cost $11.40 more than it did before the war. The increased transportation costs upon the materals that go into the wagon are even greater than this amount.

" 'When you come to pay for this wagon through the sale of corn in the Chicago market, you have a still greater disadvantage, due to the fact that corn has declined since 1914. The freight on corn from Culbertson to Chicago in 1914 was 24½c a cwt., or approximately 14c a bushel; today, with a 3 per cent war tax included, it is 47c a cwt., or approximately 26c per bushel, so that you pay 12c a bushel more to get your corn to Chicago than you did in 1914.

" 'You state that it requires 650 bushels of corn to buy a wagon today. At 12c a bushel increased freight this means that you are paying the railroads $78 more transportation on the corn necessary to buy this wagon, therefore your increased contribution to the railroad company in getting this wagon out there and shipping corn enough to Chicago to pay for it, is $89,40.

" 'You can well see from this that it is absolutely impossible for any of us to get back to a normal basis of prices until the cost of transportation is very materially reduced. You ask us when conditions will change: we tell you, when transportation costs are gotten back upon a reasonable basis.

" 'We all must work, through our congressmen and through a united public sentiment, to secure a readjustment of these railroad and mining costs before any of us can hope to resume business in a normal way. As far as we are concerned, we have already made substantial reductions in our prices and expect to continue to do so in future as reduced costs of production permit. We are continually operating at a very substantial loss. The business world, outside of transportation and mining, has gone as far as it can until it gets relief through these channels.'

"The letter goes on to work out the effect of the increased freight charges upon the prices of farm implements, but the factors are practically the same as in the case of the wagon, outside of the factor of wood stock. The farmer's buying ability is calculated on the basis of corn at 60c per bushel in Chcago, but this letter was written in August, since when corn has suffered a heavy decline, the present price being about 47c. As country dealers in the tributary territory buy on the basis of the Chicago market, the Nebraska farmer

would now get 13c per bushel less than when the foregoing calculation was made, and have to give a correspondingly larger amount of corn to buy a wagon, or anything else."

When the National City Bank wrote the above review, corn was selling in Chicago for 47 cents per bushel and it cost the farmer 26 cents of this price to pay the freight. This left the farmer 21 cents per bushel and he probably had to pay five cents out of this 21 cents for brokerage and commissions, so that he does not get more than one-third of the selling price of his year's labor on the corn crop. And, as pointed out, if the farmer ships sufficient corn to Chicago to buy a wagon the freight on the corn and wagon will cost him $89.40 more than it did in 1914. But at the price of 47 cents per bushel for corn it will require more than 1,000 bushels of corn to pay for the wagon, and the freight on this extra 350 bushels of corn at 12 cents per bushel will add another 42 dollars to the increased freight the farmer must pay in order to get a wagon. Thus the increased freight has added $131.40 to the cost of the wagon. In this transaction the increased freight charges are more than the wagon would have cost a few years ago. While freight rates remain at the present level there can be no substantial reduction in living cost that will leave the producers any compensation for their efforts and labors.

Reverse this picture now. Suppose the farmer ships his corn to Chicago and gets the 47 cents

per bushel and has no freight to pay. He could, in that case, pay $200 for a wagon and have it shipped, freight free, to his home and have $270 left to use for family needs, and there would be a higher standard of living among the farmers, and the wagon factories would be working overtime to supply the demand, and labor would have an abundance of employment at a good wage. This same condition prevails in every industry and free transportation would bring the same effective relief.

MAINTENANCE OF WAYS AND STRUCTURES.

Right in connection with the increased freight it is interesting to consider the hope the railway officials hold out that they may be able to effect a reduction in the cost of maintenance of ways and structures. It is shown by these officials that there has been an increase in these items from an average of $385,699,000, prior to 1918, to $961,304,000 for the year 1920; and that of this increase more than $250,000,000 represents labor cost. If this labor cost be entirely eliminated the cost would still be above $700,000,000 annually. The cost listed as entering into the cost of ways and structures are: Ties, rails, ballast, labor, depreciation and miscellaneous. The principal items are labor, ties, rails and ballast. The cost of ties, ballast and rails lies largely in the cost of transporting them to the place where they are to be

used, as in the case of the wagon and corn mentioned, the freight charges frequently exceed the original cost. So the item of freight determines the ultimate valuation placed upon these materials and there can be no substantial reduction in these expenses until the railways reduce the freight charges which produces this increased expense.

All merchandise and commodities are held up in price by the high freight rates and until these rates are taken from under present prices there can be no substantial reduction that does not bring ruin to the industry which produces them. While there is a pressing demand for a reduction in wages of rail employees it must be remembered that their wages go to pay the present high freight rates; and wages cannot be reduced to former limits without reducing freight rates to the limits which then prevailed. With every reduction in rates there will be an increase in the volume of business. The millions of tons of commodities now going to waste, because the market will not pay the present freight rates, would increase the volume of business as the rate reduction is increased until the point is reached where freight rates are entirely abolished. With free transportation all commodities and products of any value would be moved up to the maximum consumption of the people. As this wall is reduced the flow toward the consumers will obviously increase until the consumers are fully supplied.

IMPORTS AND EXPORTS.

Even the imports and exports of merchandise are materially affected by railroad freight rates. The exports from the United States in January, February and March, 1921, as compared with the same months in 1920, decreased as follows:

January	$ 67,323,632
February	155,848,158
March	432,744,899

The imports into the United States in January, February and March, 1921, as compared with the same months in 1920, decreased as follows:

January	$264,993,710
February	252,877,183
March	271,934,495

The railway executives in their pamphlet, "The Railroad Question Before Congress," state: "Whereas prior to January 1, 1921, it was necessary, in order to avoid congestion of terminals, for the New York Central Railroad to issue permits to shippers desiring to export freight, so that such freight would not be brought to the railroad terminals without a certainty of bottoms having been secured to carry the freight after that time the permit system was abolished because so many more ships were ordered than there was freight to carry."

This reduction in foreign trade is the logical result of the increased freight rates. It closed the foreign markets to the American products to the extent that the increased rates absorbed the

profits on the shipments. Merchandise exported or imported on a small margin of profit under the old rates is no longer an item in our foreign trade and the extent that the high rates has killed this part of the country's business is forcibly told in the above quotation and the statistics just given. When the freight rates, taken from the selling price of merchandise, do not leave any profit for the shipper, such merchandise is killed at the point of production and does not become a factor in business.

Free transportation would lay freight down at the seashore at factory or farm prices and this would tax the capacity of the ships of the world to handle this increased volume of business. So the question is, do the manufacturers and farmers want a large export market for their products? It is theirs for the asking. If they will lay their products down at the seashore at factory and farm prices there is no amount of theorizing that can obscure the benefits that will certainly follow. That will open up the markets of the world effectievly and without any red tape attachment.

RAPID TRANSPORTATION.

The miles run per freight car per day during 1920, averaged 24.9. This is classed as a very high speed and is stresed as a record of high efficiency. If a shipper desires to know the time a shipment will reach its destination he may divide the distance to be traveled by 24.9 and he will have the average time required for the freight to

cover the distance from the shipper to the consignee. If the car must travel 249 miles to reach its destination divide 249 by 24.9 and ten days will indicate the date when the consignee may reasonably expect the freight to arrive. For speed this is no improvement over the old freight wagons which the railways have superceded. People who have lived along the old wagon trails have seen these old relics move along at a speed of 25, or more, miles per day, putting to shame our present expeditious (?) movement of freight. It seems absurd to speak of freight moving only 24.9 miles daily, but that is a high speed.

In 1920 the freight trains traveled 633,972,000 miles. Each train carried a load of 646.67 tons of freight. The total tonnage for the year was 2,499,312,672. This indicates a haul of approximately 3,850,000 train loads during the year. This means that there were 15,000 train loads of freight moving continuously during the year, and that each train was making a daily movement of 24,9 miles; that is, moving at an average rate of one mile per hour, and it is stressed as high efficiency. These same trains moving at the rate of ten miles per hour could move ten times as much freight, or one-tenth of them could handle the present railroad business of the country.

With free transportation, trains could easily be moved from one hundred to two hundred miles per day and distribute freight in making that passage. Cars would be used for transporting

merchandise instead of congesting it at the terminals in the large centers, and they would be kept busy distributing supplies to the people rather than standing idle in the yards. There would be no great rush of freight to any one point, for there would be no concentration centers for redistributing merchandise. Every locality would receive shipments for its own needs and no more. This would reduce transportation business to very narrow limits as compared with present volumes of freight handled. This reduction in traffic, to legitimate business only, would release a large per cent of the railway equipment that is used for hauling supplies to the large concentration terminals to be distributed from there.

The benefits of the free delivery system are too numerous for enumeration in this volume, but there are some that may be mentioned as appealing.

If the producer has anything to sell he is not obligated to determine how much the freight will be, and then add to that a long list of other incidental expenses. He can sell it to the consumers at the same price he would charge if the purchaser should come to his farm or factory to buy. And the purchaser can buy on the same basis. It is a complete system under which the farms and factories are placed right by the side of the people who want to buy these products. The farmers harvest their crops and there are the buyers ready to take the entire harvest.

THE ADVANTAGES OF THE FREE DELIVERY.

The advantages of this system are patent to any thinker. The benefits to appear to the student are the opening up of the market for all productions. If an individual living in Texas sees where apples are selling, crated, in New York at 50 cents per bushel, he knows that is what they will cost him laid down in Texas. No one in the United States who wants apples and is able and willing to pay that price will be without apples. The result will be that the whole people will soon be supplied with apples, or the growers will have them all disposed of. There will be no more apples go to waste because no market can be found; the whole market of the country is open to every individual who has any article for sale. The inferior stock of apples, as well as other commidities, which now go to waste because they will not sell for a price sufficient to pay freight and handling charges, and net the grower anything, will all be utilized under free distribution if they are at all usable. There are many people who would buy the cheaper grade of articles, and this applies to fruits and vegetables as well as things in manufacturing lines. There are many fruits and vegetables of the lower grades which are just as palatable and healthful as the fancy grades, but which do not sell for enough to justify shipping them under present arrangements. These would all be shipped and find a ready market at some-

thing like half the price established for the fancy grades. Nobody knows better than the fruit and truck growers what this would mean. Fully half of the fruit and truck crops take such a low grade as to sell below the cost line if sold at all. It is difficult to get cost out of the very best grade of fruit and produce, and when to this is added one-half of the crop for which there is no sale, it leaves the grower with an empty sack to hold. If he could sell his inferior stock for cost of production his profits on the better grades would not have to be applied toward paying expense of growing the inferior.

Hon. R. Hudson Burr, chairman of the Florida Railroad Commission, in a public address at Miami, Fla., on December 2, 1921, quotes Dr. Ross, president of the Florida Citrus Exchange, as follows:

"Thirty per cent of the fruit produced in Florida is low grade fruit, and large sizes. Under the present rate no low grade fruit, no undesirable sizes bring cost. My own association (Winter Haven) hauls from 50,000 to 90,000 boxes to the dump and throws them away, because we have learned by experience that the returns show red ink."

"In my own county of Polk I find that we paid last year under this increased freight rate in addition to the rate under which this fruit industry was developed more than a million and a half dollars to the railroads, more clear money than all

the growers made last year."

To facilitate the distribution of products the government should standardize the containers for shipping such commodities as fruit and vegetables. These containers should be uniform throughout the country and be made in three sizes, half-bushel, bushel and barrel sizes. When emptied these containers, as far as practicable, should be returned to the growers, thereby avoiding waste.

The trains distributing this fruit and vegetables should make fast time, at least equal to the schedules arranged for the passenger travel. All shipments going to a certain station should be placed together in one car so that there would be little time required to unload at any given place. This distributing system would be so arranged that this fruit and vegetable train would reach every station in the United States daily. Thus every locality would be supplied daily with fresh fruits and vegetables and at the same price prevailing on the farms. This system could be established and work as satisfactorily as the postal or experss system is now working. The potential benefits of this free delivery is beyond estimation. So far as the fruit and vegetable diet of the American people is concerned the winter season would be completely abolished from American table. In the winter when truck growing is impossible in the colder parts of the country the warmer sections would keep the tables supplied without any appreciable change in the price. Southern Cali-

fornia, Southern Texas and Florida would become gold mines as wealth producers during the winter months. Their output would probably have to be increased tenfold in order to meet the increased demand incident to the wide distribution and decreased priced products. Then when the season opened in the north-part of the country the tide would turn and the shipments would supply the south with northern grown products. When Wisconsin cabbage were selling for 50 cents per 100 pounds that would be the price at which they would be laid down in every village and city of the country. The same would be true of every American production. It would be distributed to every part of the United States, in large or small quantities, at the same price as it sold for at the point of production with the small handling charge added.

THE CONSUMERS.

From what has just been stated it is evident that the consumers are benefited equally with the producers. It is not a one-sided arrangement, but one that reaches in a systematic and practical way, the whole population regardless of location or financial standing. As no one can buy a commodity under the present system without feeling the evils of the present policy; no one could buy an article under the proposed plan without feeling the benefits resulting from the change.

The manufacturing interest would be placed

adjacent to all raw material. Much raw material that is now going to waste on account of high freight rates would become available under the free delivery system. Manufacturing plants could operate on much less capital than is now required, and their products could go on the market at much lower price without reducing the margin of profit. The fabricated article could be put out at less than present cost and by the system of free distribution could be sold to consumers at greatly reduced prices under those which now obtain. This would move large quantities where small amounts are now sold. The aggregate profits of the producers would be greatly enlarged and production thereby encouraged.

THE MIDDLE-MEN.

UNDER THE NEW MANAGEMENT there may be some solicitude for the middle-men. They will continue to operate between the producer and the consumer, but their activities would be confined to efforts in effecting a transfer from the producers to the consumers, and not in withholding commodities from the consumers in order to inflate the prices to exorbitant proportions. The handling charge of all articles between the producer and consumer should be limited to something like 25 per cent of the price paid the producer. This would give a reasonable profit and still not be out of proportion to the compensation of the producing element. By this limitation the

prices of all commodities would be held down to near the capacity of the people for a maximum consumption. The decrease in aggregate profits of the middle-men would probably not be affected materially, but they would be forced to accommodate the entire population and more widely distribute their merchandise. They could not build their prices so high, but they could get an increased business that would probably more than compensate for the reduction in the margin of profit. In other words, the proposed plan would compel them to serve the whole people in order to make the same profits which they now get through serving a very small per cent of the population. They are converted into an adjunct of a great distributing system and their power to speculate on the very life and happiness of the people is killed and their power to congest the necessities and comforts of life into the hands of a few is effectively terminated. They no longer can amass great fortunes by withholding from a suffering people the bare necessities of life and thereby starve that people into paying a price that takes the very life blood of the victims. They can only make their usual aggregate profits by assiduously working for all in the way of distributing supplies to all at the price within their reach. As distributors they will be useful citizens; as speculators they are unspeakable enemies of human welfare and national progress. The handling charge could be divided between the wholesale and retail

dealers and would be ample to cover all reasonable efforts which would attach to making the transfer of the country's productions.

CHANGING THE PRESSURE.

By fastening the consumers' price to the producers' price with a 25 per cent link prevents the widening of the gap between them. It has been customary to throw all pressure between these two elements and press the price up to the consumers and down to the producers. The new plan would remove all pressure from the shoulders of the producing class. The middle-men would have no incentive to reduce the price unduly to the one from whom they were buying. If the middle-man forces a sale at a very low price, his profit for handling the commodity goes down in exactly the same proportion. Every reduction which he effects in making purchases he must carry to the ultimate purchaser. An article bought for $2.00 carries a handling charge of 50 cents, if the buyer "Jews" the owner down to $1.00 he thereby cuts his handling charge to 25 cents or just in the same proportion that he cuts the seller's price. As he meets it out to the producers so shall the consumers meet it out to him. This removes from business one of its most disreputable characteristics.

IMPORTS OF FOREIGN MERCHANDISE.

All imports of foreign goods would be required

to pay a transportation charge. This would be collected at the port of entry before the goods would be permitted to be distributed. It would be adjusted something like our present tariff duties, but would not be a substitute for such duties. This freight charge would be collected before the goods were permitted to land in order to not complicate the railway system with the details of collecting freight on goods hauled. This plan would keep the rail system simplified and not burden it with a great amount of detail.

FREE DELIVERY SAVING AND EXPENSES.

The present system of operating the railway is costing the people the following items:

Payment direct to the railways, approximate	$ 6,000,000,000
This increases profits and expenses, approximate	14,000,000,000
The producers are losing commodities which they are unable to ship to the value of	6,000,000,000
Business is losing on the basis of present business under high rates 23.1 per cent approximating	40,000,000,000
Total cost of private ownership	$66,000,000,000

By the government operating the roads for the benefit of the people the above items could be

saved and the consumers would have an abundance of the necessities and comforts of life and the health and happiness of the whole population would be correspondingly increased.

The labor bill under government operation, after eliminating the high priced officials and lowering wages generally to conform to the reduced living expense, need not exceed $2,000,000,000 annually. The expenses of maintaining and equipping the roads, according to the best opinion, would fall below $1,000,000,000 per annum. This gives a total expense account of $3,000,000,000 per year for operating the railways. Of this amount the passenger service would yield at least $1,500,000,000 and the freight on imported goods would amount to approximately $500,000,000. These two items would pay $2,000,000,000 of the transportation bill, leaving only $1,000,000,000 to be paid by the people through the government. This $1,000,000,000 paid by the people through their government would effect the saving of $66,000,000,000 itemized above. In other words, by expending the $1,000,000,000 a return of $66,000,000,000 will result.

A CONTINUOUS SUPPLY.

Some objections to the free distribution of American products will here be noticed. It will be claimed, and in a measure correctly, that the proposed system will give the country a broken supply of the necessities and comforts of life; that

the supply will be distributed and consumed and the markets will be bare of that article or commodity until another crop is produced and there is a new supply of raw materials from which to fabricate more finished articles. The cabbage crop will go upon the market and be taken up within a few weeks and the rest of the year none will be available. The same condition will result with other lines of vegetables, as well as fruits, grains, live stock and poultry. Manufactures will meet the same threatened condition. When the raw materials from which a line of goods is manufactured, are exhausted the supply of finished articles will be off the market until a new supply of raw materials are ready for utilization.

A casual consideration of the above threatened condition is a formidable objection to the suggested change, but a thorough investigation of the existing system reveals the fact that the supposed advantages, which it offers, are really injurious cankers which have been fastened upon the industrial life of the country, and are more beneficial removed than maintained.

Take apples as an illustration. There are about 72,000,000 bushels of commercial apples produced annually. That is less than three pecks for each inhabitant in the country. If these apples could be marketed at the orchard price they would all be bought up by the consumers and eaten, probably, within 30 to 60 days from the date of maturity. The rest of the year apples

would not be obtainable at any price; in other words, it is a feast for a short spell and a severe famine for a long period; two months' feast, and eight to ten months' famine.

This presents a very discouraging picture. But the real sadness of the picture is more in the existing condition than in the threatened one. Why does the apple crop of 72,000,000 bushels last 110,000,000 people a whole year? Because the cost of getting them to the consumers is so high that more than 80 per cent of the population cannot afford to buy them, except in very small quantities, and millions of people do not eat one apple per year. Practically the entire crop is consumed by less than 20 per cent of the population, and the price is fixed so that the supply is not materially molested by the other 80 per cent of the consumers, and, therefore, the 20 per cent, who can afford apples at the high market price, will have a continuous supply of luscious fruit the year around. With the favored 20 per cent it is a continuous feast; with the unfavored 80 per cent it is a continuous famine. This same condition prevails in almost every line of production. Meat, potatoes, cabbage, fruits, eggs, poultry, canned goods and many lines of manufactures. Twenty per cent of the poeple are consuming these things up to their requirements, while the other 80 per cent are using them very scantily or not at all—20 per cent feasting the year around; 80 per cent starving during that same time. Would it not be

well to throw all of one line of products on the market at such a price that the whole population could share, measurably, in their enjoyment? Under the present system production is discouraged by the very limited and restricted market, and the producer does not know that he can find a market that will net him any compensation for his year's labor. The open market, with a knowledge that the products will be distributed to the consumers without any barriers to overcome, will encourage production and we will soon find the supply adequate and the famine conditions entirely banished from our fair land. It is not a question of supplying part of the people all the time, and part of the people none of the time, but giving all of the people an ample supply every month in the year.

A policy which circumscribes the markets to 20 per cent of the population is not defensible as a sound economic law, nor as an industrial theory, nor is it conducive to national progress and prosperity. It is certainly not defensible as a humanitarian principle to set aside the bulk of the necessities of life, out of reach of the great bulk of the people, and where the very few have continual access to them. Such a policy is inhuman in its operation as to those who are thus deprived of an adequate supply of the necessities and comforts of life; it is demoralizing and pauperizing as to the producers who are thus deprived of something like four-fifths of their markets, and are deprived of that per cent of their potential enjoyment and

happiness which results from having a maximum of the necessities and comforts for which mankind is continually striving. To say that the barriers which foster and maintain this disparity in the consuming ability of the people should be eternized is to advocate the establishment of an aristocracy with the mass of the population peonized. Such disparity between the citizens does not harmonize with democratic pretensions, but rather amounts to an abolition of republican government.

To meet the proposed conditions factories would have to be enlarged and many new ones erected to meet a demand probably four to ten times that of the present. Farms would have to produce several times present yields, orchards would needs be enlarged many fold and activity would characterize every avenue of production.

To meet the requirements of this large increase in production the express business would be enlarged so as to include every item of American productions. Everything would be sent by express, or the freight transportation would be conducted on the same principle that now applies to the express service, except that there would be no charges for the services rendered. With this barrier overcome, and entirely removed, finding a market for any usable article becomes an easy matter. The great Farm Bureaus could be utilized to meet the needs of the farmers as a selling agency, and their functions could easily be extended so as to meet the needs of this class of produc-